

INTELLECTUAL PROPERTY AND COMMUNICATIONS  
OMNIBUS REFORM ACT OF 1999

NOVEMBER 9, 1999.—Ordered to be printed

Mr. TAUZIN, from the committee of conference,  
submitted the following

CONFERENCE REPORT

[To accompany H.R. 1554]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1554), to amend the provisions of title 17, United States Code, and the Communications Act of 1934, relating to copyright licensing and carriage of broadcast signals by satellite, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

**SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

(a) *SHORT TITLE.*—This Act may be cited as the “Intellectual Property and Communications Omnibus Reform Act of 1999”.

(b) *TABLE OF CONTENTS.*—The table of contents of this Act is as follows:

Sec. 1. *Short title; table of contents.*

**TITLE I—SATELLITE HOME VIEWER IMPROVEMENT**

Sec. 1001. *Short title.*

Sec. 1002. *Limitations on exclusive rights; secondary transmissions by satellite carriers within local markets.*

Sec. 1003. *Extension of effect of amendments to section 119 of title 17, United States Code.*

Sec. 1004. *Computation of royalty fees for satellite carriers.*

Sec. 1005. *Distant signal eligibility for consumers.*

Sec. 1006. *Public broadcasting service satellite feed.*

Sec. 1007. *Application of Federal communications commission regulations.*

Sec. 1008. *Rules for satellite carriers retransmitting television broadcast signals.*

- Sec. 1009. Retransmission consent.*
- Sec. 1010. Severability.*
- Sec. 1011. Technical amendments.*
- Sec. 1012. Effective dates.*

#### *TITLE II—RURAL LOCAL TELEVISION SIGNALS*

- Sec. 2001. Short title.*
- Sec. 2002. Loan guarantees.*
- Sec. 2003. Administration of loan guarantees.*
- Sec. 2004. Retransmission of local television broadcast stations.*
- Sec. 2005. Local television service in unserved and underserved markets.*
- Sec. 2006. Definitions.*

#### *TITLE III—TRADEMARK CYBERPIRACY PREVENTION*

- Sec. 3001. Short title; references.*
- Sec. 3002. Cyberpiracy prevention.*
- Sec. 3003. Damages and remedies.*
- Sec. 3004. Limitation on liability.*
- Sec. 3005. Definitions.*
- Sec. 3006. Study on abusive domain name registrations involving personal names.*
- Sec. 3007. Historic preservation.*
- Sec. 3008. Savings clause.*
- Sec. 3009. Technical and conforming amendments.*
- Sec. 3010. Effective date.*

#### *TITLE IV—INVENTOR PROTECTION*

- Sec. 4001. Short title.*

##### *Subtitle A—Inventors’ Rights*

- Sec. 4101. Short title.*
- Sec. 4102. Integrity in invention promotion services.*
- Sec. 4103. Effective date.*

##### *Subtitle B—Patent and Trademark Fee Fairness*

- Sec. 4201. Short title.*
- Sec. 4202. Adjustment of patent fees.*
- Sec. 4203. Adjustment of trademark fees.*
- Sec. 4204. Study on alternative fee structures.*
- Sec. 4205. Patent and Trademark Office Funding.*
- Sec. 4206. Effective date.*

##### *Subtitle C—First Inventor Defense*

- Sec. 4301. Short title.*
- Sec. 4302. Defense to patent infringement based on earlier inventor.*
- Sec. 4303. Effective date and applicability.*

##### *Subtitle D—Patent Term Guarantee*

- Sec. 4401. Short title.*
- Sec. 4402. Patent term guarantee authority.*
- Sec. 4403. Continued examination of patent applications.*
- Sec. 4404. Technical clarification.*
- Sec. 4405. Effective date.*

##### *Subtitle E—Domestic Publication of Patent Applications Published Abroad*

- Sec. 4501. Short title.*
- Sec. 4502. Publication.*
- Sec. 4503. Time for claiming benefit of earlier filing date.*
- Sec. 4504. Provisional rights.*
- Sec. 4505. Prior art effect of published applications.*
- Sec. 4506. Cost recovery for publication.*
- Sec. 4507. Conforming amendments.*
- Sec. 4508. Effective date.*

##### *Subtitle F—Optional Inter Partes Reexamination Procedure*

- Sec. 4601. Short title.*
- Sec. 4602. Ex parte reexamination of patents.*

- Sec. 4603. Definitions.*
- Sec. 4604. Optional inter partes reexamination procedures.*
- Sec. 4605. Conforming amendments.*
- Sec. 4606. Report to Congress.*
- Sec. 4607. Estoppel effect of reexamination.*
- Sec. 4608. Effective date.*

*Subtitle G—Patent and Trademark Office*

- Sec. 4701. Short title.*

*CHAPTER 1—UNITED STATES PATENT AND TRADEMARK OFFICE*

- Sec. 4711. Establishment of Patent and Trademark Office.*
- Sec. 4712. Powers and duties.*
- Sec. 4713. Organization and management.*
- Sec. 4714. Public advisory committees.*
- Sec. 4715. Conforming amendments.*
- Sec. 4716. Trademark Trial and Appeal Board.*
- Sec. 4717. Board of Patent Appeals and Interferences.*
- Sec. 4718. Annual report of Director.*
- Sec. 4719. Suspension or exclusion from practice.*
- Sec. 4720. Pay of Director and Deputy Director.*

*CHAPTER 2—EFFECTIVE DATE; TECHNICAL AMENDMENTS*

- Sec. 4731. Effective date.*
- Sec. 4732. Technical and conforming amendments.*

*CHAPTER 3—MISCELLANEOUS PROVISIONS*

- Sec. 4741. References.*
- Sec. 4742. Exercise of authorities.*
- Sec. 4743. Savings provisions.*
- Sec. 4744. Transfer of assets.*
- Sec. 4745. Delegation and assignment.*
- Sec. 4746. Authority of director of the Office of Management and Budget with respect to functions transferred.*
- Sec. 4747. Certain vesting of functions considered transfers.*
- Sec. 4748. Availability of existing funds.*
- Sec. 4749. Definitions.*

*Subtitle H—Miscellaneous Patent Provisions*

- Sec. 4801. Provisional applications.*
- Sec. 4802. International applications.*
- Sec. 4803. Certain limitations on damages for patent infringement not applicable.*
- Sec. 4804. Electronic filing and publications.*
- Sec. 4805. Study and report on biological deposits in support of biotechnology patents.*
- Sec. 4806. Prior invention.*
- Sec. 4807. Prior art exclusion for certain commonly assigned patents.*
- Sec. 4808. Exchange of copies of patents with foreign countries.*

*TITLE V—MISCELLANEOUS PROVISIONS*

- Sec. 5001. Commission on online child protection.*
- Sec. 5002. Privacy protection for donors to public broadcasting entities.*
- Sec. 5003. Completion of biennial regulatory review.*
- Sec. 5004. Public broadcasting entities.*
- Sec. 5005. Technical amendments relating to vessel hull design protection.*
- Sec. 5006. Informal rulemaking of copyright determination.*
- Sec. 5007. Service of process for surety corporations.*
- Sec. 5008. Low-power television.*

## **TITLE I—SATELLITE HOME VIEWER IMPROVEMENT**

### **SEC. 1001. SHORT TITLE.**

*This title may be cited as the “Satellite Home Viewer Improvement Act of 1999”.*

### **SEC. 1002. LIMITATIONS ON EXCLUSIVE RIGHTS; SECONDARY TRANSMISSIONS BY SATELLITE CARRIERS WITHIN LOCAL MARKETS.**

*(a) IN GENERAL.—Chapter 1 of title 17, United States Code, is amended by adding after section 121 the following new section:*

#### **“§ 122. Limitations on exclusive rights; secondary transmissions by satellite carriers within local markets**

*“(a) SECONDARY TRANSMISSIONS OF TELEVISION BROADCAST STATIONS BY SATELLITE CARRIERS.—A secondary transmission of a performance or display of a work embodied in a primary transmission of a television broadcast station into the station’s local market shall be subject to statutory licensing under this section if—*

*“(1) the secondary transmission is made by a satellite carrier to the public;*

*“(2) with regard to secondary transmissions, the satellite carrier is in compliance with the rules, regulations, or authorizations of the Federal Communications Commission governing the carriage of television broadcast station signals; and*

*“(3) the satellite carrier makes a direct or indirect charge for the secondary transmission to—*

*“(A) each subscriber receiving the secondary transmission; or*

*“(B) a distributor that has contracted with the satellite carrier for direct or indirect delivery of the secondary transmission to the public.*

*“(b) REPORTING REQUIREMENTS.—*

*“(1) INITIAL LISTS.—A satellite carrier that makes secondary transmissions of a primary transmission made by a network station under subsection (a) shall, within 90 days after commencing such secondary transmissions, submit to the network that owns or is affiliated with the network station a list identifying (by name in alphabetical order and street address, including county and zip code) all subscribers to which the satellite carrier makes secondary transmissions of that primary transmission under subsection (a).*

*“(2) SUBSEQUENT LISTS.—After the list is submitted under paragraph (1), the satellite carrier shall, on the 15th of each month, submit to the network a list identifying (by name in alphabetical order and street address, including county and zip code) any subscribers who have been added or dropped as subscribers since the last submission under this subsection.*

*“(3) USE OF SUBSCRIBER INFORMATION.—Subscriber information submitted by a satellite carrier under this subsection may be used only for the purposes of monitoring compliance by the satellite carrier with this section.*

*“(4) REQUIREMENTS OF NETWORKS.—The submission requirements of this subsection shall apply to a satellite carrier only if the network to which the submissions are to be made places on file with the Register of Copyrights a document identifying the name and address of the person to whom such submissions are to be made. The Register of Copyrights shall maintain for public inspection a file of all such documents.”*

*“(c) NO ROYALTY FEE REQUIRED.—A satellite carrier whose secondary transmissions are subject to statutory licensing under subsection (a) shall have no royalty obligation for such secondary transmissions.”*

*“(d) NONCOMPLIANCE WITH REPORTING AND REGULATORY REQUIREMENTS.—Notwithstanding subsection (a), the willful or repeated secondary transmission to the public by a satellite carrier into the local market of a television broadcast station of a primary transmission embodying a performance or display of a work made by that television broadcast station is actionable as an act of infringement under section 501, and is fully subject to the remedies provided under sections 502 through 506 and 509, if the satellite carrier has not complied with the reporting requirements of subsection (b) or with the rules, regulations, and authorizations of the Federal Communications Commission concerning the carriage of television broadcast signals.”*

*“(e) WILLFUL ALTERATIONS.—Notwithstanding subsection (a), the secondary transmission to the public by a satellite carrier into the local market of a television broadcast station of a performance or display of a work embodied in a primary transmission made by that television broadcast station is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506 and sections 509 and 510, if the content of the particular program in which the performance or display is embodied, or any commercial advertising or station announcement transmitted by the primary transmitter during, or immediately before or after, the transmission of such program, is in any way willfully altered by the satellite carrier through changes, deletions, or additions, or is combined with programming from any other broadcast signal.”*

*“(f) VIOLATION OF TERRITORIAL RESTRICTIONS ON STATUTORY LICENSE FOR TELEVISION BROADCAST STATIONS.—*

*“(1) INDIVIDUAL VIOLATIONS.—The willful or repeated secondary transmission to the public by a satellite carrier of a primary transmission embodying a performance or display of a work made by a television broadcast station to a subscriber who does not reside in that station’s local market, and is not subject to statutory licensing under section 119 or a private licensing agreement, is actionable as an act of infringement under section 501 and is fully subject to the remedies provided by sections 502 through 506 and 509, except that—*

*“(A) no damages shall be awarded for such act of infringement if the satellite carrier took corrective action by promptly withdrawing service from the ineligible subscriber; and*

*“(B) any statutory damages shall not exceed \$5 for such subscriber for each month during which the violation occurred.”*

*“(2) PATTERN OF VIOLATIONS.—If a satellite carrier engages in a willful or repeated pattern or practice of secondarily transmitting to the public a primary transmission embodying a performance or display of a work made by a television broadcast station to subscribers who do not reside in that station’s local market, and are not subject to statutory licensing under section 119 or a private licensing agreement, then in addition to the remedies under paragraph (1)—*

*“(A) if the pattern or practice has been carried out on a substantially nationwide basis, the court—*

*“(i) shall order a permanent injunction barring the secondary transmission by the satellite carrier of the primary transmissions of that television broadcast station (and if such television broadcast station is a network station, all other television broadcast stations affiliated with such network); and*

*“(ii) may order statutory damages not exceeding \$250,000 for each 6-month period during which the pattern or practice was carried out; and*

*“(B) if the pattern or practice has been carried out on a local or regional basis with respect to more than 1 television broadcast station, the court—*

*“(i) shall order a permanent injunction barring the secondary transmission in that locality or region by the satellite carrier of the primary transmissions of any television broadcast station; and*

*“(ii) may order statutory damages not exceeding \$250,000 for each 6-month period during which the pattern or practice was carried out.*

*“(g) BURDEN OF PROOF.—In any action brought under subsection (f), the satellite carrier shall have the burden of proving that its secondary transmission of a primary transmission by a television broadcast station is made only to subscribers located within that station’s local market or subscribers being served in compliance with section 119 or a private licensing agreement.*

*“(h) GEOGRAPHIC LIMITATIONS ON SECONDARY TRANSMISSIONS.—The statutory license created by this section shall apply to secondary transmissions to locations in the United States.*

*“(i) EXCLUSIVITY WITH RESPECT TO SECONDARY TRANSMISSIONS OF BROADCAST STATIONS BY SATELLITE TO MEMBERS OF THE PUBLIC.—No provision of section 111 or any other law (other than this section and section 119) shall be construed to contain any authorization, exemption, or license through which secondary transmissions by satellite carriers of programming contained in a primary transmission made by a television broadcast station may be made without obtaining the consent of the copyright owner.*

*“(j) DEFINITIONS.—In this section—*

*“(1) DISTRIBUTOR.—The term ‘distributor’ means an entity which contracts to distribute secondary transmissions from a satellite carrier and, either as a single channel or in a package with other programming, provides the secondary transmission*

either directly to individual subscribers or indirectly through other program distribution entities.

*“(2) LOCAL MARKET.—*

*“(A) IN GENERAL.—The term ‘local market’, in the case of both commercial and noncommercial television broadcast stations, means the designated market area in which a station is located, and—*

*“(i) in the case of a commercial television broadcast station, all commercial television broadcast stations licensed to a community within the same designated market area are within the same local market; and*

*“(ii) in the case of a noncommercial educational television broadcast station, the market includes any station that is licensed to a community within the same designated market area as the noncommercial educational television broadcast station.*

*“(B) COUNTY OF LICENSE.—In addition to the area described in subparagraph (A), a station’s local market includes the county in which the station’s community of license is located.*

*“(C) DESIGNATED MARKET AREA.—For purposes of subparagraph (A), the term ‘designated market area’ means a designated market area, as determined by Nielsen Media Research and published in the 1999–2000 Nielsen Station Index Directory and Nielsen Station Index United States Television Household Estimates or any successor publication.*

*“(3) NETWORK STATION; SATELLITE CARRIER; SECONDARY TRANSMISSION.—The terms ‘network station’, ‘satellite carrier’ and ‘secondary transmission’ have the meanings given such terms under section 119(d).*

*“(4) SUBSCRIBER.—The term ‘subscriber’ means a person who receives a secondary transmission service from a satellite carrier and pays a fee for the service, directly or indirectly, to the satellite carrier or to a distributor.*

*“(5) TELEVISION BROADCAST STATION.—The term ‘television broadcast station’—*

*“(A) means an over-the-air, commercial or noncommercial television broadcast station licensed by the Federal Communications Commission under subpart E of part 73 of title 47, Code of Federal Regulations, except that such term does not include a low-power or translator television station; and*

*“(B) includes a television broadcast station licensed by an appropriate governmental authority of Canada or Mexico if the station broadcasts primarily in the English language and is a network station as defined in section 119(d)(2)(A).”.*

*(b) INFRINGEMENT OF COPYRIGHT.—Section 501 of title 17, United States Code, is amended by adding at the end the following new subsection:*

*“(f)(1) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work em-*

bodied in a primary transmission and is actionable as an act of infringement under section 122, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local market of that station.

“(2) A television broadcast station may file a civil action against any satellite carrier that has refused to carry television broadcast signals, as required under section 122(a)(2), to enforce that television broadcast station’s rights under section 338(a) of the Communications Act of 1934.”.

(c) **TECHNICAL AND CONFORMING AMENDMENTS.**—The table of sections for chapter 1 of title 17, United States Code, is amended by adding after the item relating to section 121 the following:

“122. Limitations on exclusive rights; secondary transmissions by satellite carriers within local market.”.

**SEC. 1003. EXTENSION OF EFFECT OF AMENDMENTS TO SECTION 119 OF TITLE 17, UNITED STATES CODE.**

Section 4(a) of the Satellite Home Viewer Act of 1994 (17 U.S.C. 119 note; Public Law 103–369; 108 Stat. 3481) is amended by striking “December 31, 1999” and inserting “December 31, 2004”.

**SEC. 1004. COMPUTATION OF ROYALTY FEES FOR SATELLITE CARRIERS.**

Section 119(c) of title 17, United States Code, is amended by adding at the end the following new paragraph:

“(4) **REDUCTION.**—

“(A) **SUPERSTATION.**—The rate of the royalty fee in effect on January 1, 1998, payable in each case under subsection (b)(1)(B)(i) shall be reduced by 30 percent.

“(B) **NETWORK AND PUBLIC BROADCASTING SATELLITE FEED.**—The rate of the royalty fee in effect on January 1, 1998, payable under subsection (b)(1)(B)(ii) shall be reduced by 45 percent.

“(5) **PUBLIC BROADCASTING SERVICE AS AGENT.**—For purposes of section 802, with respect to royalty fees paid by satellite carriers for retransmitting the Public Broadcasting Service satellite feed, the Public Broadcasting Service shall be the agent for all public television copyright claimants and all Public Broadcasting Service member stations.”.

**SEC. 1005. DISTANT SIGNAL ELIGIBILITY FOR CONSUMERS.**

(a) **UNSERVED HOUSEHOLD.**—

(1) **IN GENERAL.**—Section 119(d) of title 17, United States Code, is amended by striking paragraph (10) and inserting the following:

“(10) **UNSERVED HOUSEHOLD.**—The term ‘unserved household’, with respect to a particular television network, means a household that—

“(A) cannot receive, through the use of a conventional, stationary, outdoor rooftop receiving antenna, an over-the-air signal of a primary network station affiliated with that network of Grade B intensity as defined by the Federal Communications Commission under section 73.683(a) of



title 47 of the Code of Federal Regulations, as in effect on January 1, 1999;

“(B) is subject to a waiver granted under regulations established under section 339(c)(2) of the Communications Act of 1934;

“(C) is a subscriber to whom subsection (e) applies;

“(D) is a subscriber to whom subsection (a)(11) applies;

or

“(E) is a subscriber to whom the exemption under subsection (a)(2)(B)(iii) applies.”.

(2) CONFORMING AMENDMENT.—Section 119(a)(2)(B) of title 17, United States Code, is amended to read as follows:

“(B) SECONDARY TRANSMISSIONS TO UNSERVED HOUSEHOLDS.—

“(i) IN GENERAL.—The statutory license provided for in subparagraph (A) shall be limited to secondary transmissions of the signals of no more than 2 network stations in a single day for each television network to persons who reside in unserved households.

“(ii) ACCURATE DETERMINATIONS OF ELIGIBILITY.—

“(I) ACCURATE PREDICTIVE MODEL.—In determining presumptively whether a person resides in an unserved household under subsection (d)(10)(A), a court shall rely on the Individual Location Longley-Rice model set forth by the Federal Communications Commission in Docket No. 98–201, as that model may be amended by the Commission over time under section 339(c)(3) of the Communications Act of 1934 to increase the accuracy of that model.

“(II) ACCURATE MEASUREMENTS.—For purposes of site measurements to determine whether a person resides in an unserved household under subsection (d)(10)(A), a court shall rely on section 339(c)(4) of the Communications Act of 1934.

“(iii) C-BAND EXEMPTION TO UNSERVED HOUSEHOLDS.—

“(I) IN GENERAL.—The limitations of clause (i) shall not apply to any secondary transmissions by C-band services of network stations that a subscriber to C-band service received before any termination of such secondary transmissions before October 31, 1999.

“(II) DEFINITION.—In this clause the term ‘C-band service’ means a service that is licensed by the Federal Communications Commission and operates in the Fixed Satellite Service under part 25 of title 47 of the Code of Federal Regulations.”.

(b) EXCEPTION TO LIMITATION ON SECONDARY TRANSMISSIONS.—Section 119(a)(5) of title 17, United States Code, is amended by adding at the end the following:

“(E) EXCEPTION.—The secondary transmission by a satellite carrier of a performance or display of a work embodied in a primary transmission made by a network sta-

tion to subscribers who do not reside in unserved households shall not be an act of infringement if—

“(i) the station on May 1, 1991, was retransmitted by a satellite carrier and was not on that date owned or operated by or affiliated with a television network that offered interconnected program service on a regular basis for 15 or more hours per week to at least 25 affiliated television licensees in 10 or more States;

“(ii) as of July 1, 1998, such station was retransmitted by a satellite carrier under the statutory license of this section; and

“(iii) the station is not owned or operated by or affiliated with a television network that, as of January 1, 1995, offered interconnected program service on a regular basis for 15 or more hours per week to at least 25 affiliated television licensees in 10 or more States.”.

(c) **MORATORIUM ON COPYRIGHT LIABILITY.**—Section 119(e) of title 17, United States Code, is amended to read as follows:

“(e) **MORATORIUM ON COPYRIGHT LIABILITY.**—Until December 31, 2004, a subscriber who does not receive a signal of grade A intensity (as defined in the regulations of the Federal Communications Commission under section 73.683(a) of title 47 of the Code of Federal Regulations, as in effect on January 1, 1999, or predicted by the Federal Communications Commission using the Individual Location Longley-Rice methodology described by the Federal Communications Commission in Docket 98–201) of a local network television broadcast station shall remain eligible to receive signals of network stations affiliated with the same network, if that subscriber had satellite service of such network signal terminated after July 11, 1998, and before October 31, 1999, as required by this section, or received such service on October 31, 1999.”.

(d) **RECREATIONAL VEHICLE AND COMMERCIAL TRUCK EXEMPTION.**—Section 119(a) of title 17, United States Code, is amended by adding at the end the following:

“(11) **SERVICE TO RECREATIONAL VEHICLES AND COMMERCIAL TRUCKS.**—

“(A) **EXEMPTION.**—

“(i) **IN GENERAL.**—For purposes of this subsection, and subject to clauses (ii) and (iii), the term ‘unserved household’ shall include—

“(I) recreational vehicles as defined in regulations of the Secretary of Housing and Urban Development under section 3282.8 of title 24 of the Code of Federal Regulations; and

“(II) commercial trucks that qualify as commercial motor vehicles under regulations of the Secretary of Transportation under section 383.5 of title 49 of the Code of Federal Regulations.

“(ii) **LIMITATION.**—Clause (i) shall apply only to a recreational vehicle or commercial truck if any satellite carrier that proposes to make a secondary transmission of a network station to the operator of such a recreational vehicle or commercial truck complies with the

documentation requirements under subparagraphs (B) and (C).

“(iii) *EXCLUSION.*—For purposes of this subparagraph, the terms ‘recreational vehicle’ and ‘commercial truck’ shall not include any fixed dwelling, whether a mobile home or otherwise.

“(B) *DOCUMENTATION REQUIREMENTS.*—A recreational vehicle or commercial truck shall be deemed to be an unserved household beginning 10 days after the relevant satellite carrier provides to the network that owns or is affiliated with the network station that will be secondarily transmitted to the recreational vehicle or commercial truck the following documents:

“(i) *DECLARATION.*—A signed declaration by the operator of the recreational vehicle or commercial truck that the satellite dish is permanently attached to the recreational vehicle or commercial truck, and will not be used to receive satellite programming at any fixed dwelling.

“(ii) *REGISTRATION.*—In the case of a recreational vehicle, a copy of the current State vehicle registration for the recreational vehicle.

“(iii) *REGISTRATION AND LICENSE.*—In the case of a commercial truck, a copy of—

“(I) the current State vehicle registration for the truck; and

“(II) a copy of a valid, current commercial driver’s license, as defined in regulations of the Secretary of Transportation under section 383 of title 49 of the Code of Federal Regulations, issued to the operator.

“(C) *UPDATED DOCUMENTATION REQUIREMENTS.*—If a satellite carrier wishes to continue to make secondary transmissions to a recreational vehicle or commercial truck for more than a 2-year period, that carrier shall provide each network, upon request, with updated documentation in the form described under subparagraph (B) during the 90 days before expiration of that 2-year period.”.

(e) *EXCEPTION TO SATELLITE CARRIER DEFINITION.*—Section 119(d)(6) of title 17, United States Code, is amended by inserting before the period “, or provides a digital online communication service”.

(f) *CONFORMING AMENDMENT.*—Section 119(d)(11) of title 17, United States Code, is amended to read as follows:

“(11) *LOCAL MARKET.*—The term ‘local market’ has the meaning given such term under section 122(j).”.

#### **SEC. 1006. PUBLIC BROADCASTING SERVICE SATELLITE FEED.**

(a) *SECONDARY TRANSMISSIONS.*—Section 119(a)(1) of title 17, United States Code, is amended—

(1) by striking the paragraph heading and inserting “(1) *SUPERSTATIONS AND PBS SATELLITE FEED.*—”;

(2) by inserting “or by the Public Broadcasting Service satellite feed” after “superstation”; and

(3) by adding at the end the following: “In the case of the Public Broadcasting Service satellite feed, the statutory license shall be effective until January 1, 2002.”

(b) **ROYALTY FEES.**—Section 119(b)(1)(B)(iii) of title 17, United States Code, is amended by inserting “or the Public Broadcasting Service satellite feed” after “network station”.

(c) **DEFINITIONS.**—Section 119(d) of title 17, United States Code, is amended—

(1) by amending paragraph (9) to read as follows:

“(9) **SUPERSTATION.**—The term ‘superstation’—

“(A) means a television broadcast station, other than a network station, licensed by the Federal Communications Commission that is secondarily transmitted by a satellite carrier; and

“(B) except for purposes of computing the royalty fee, includes the Public Broadcasting Service satellite feed.”; and

(2) by adding at the end the following:

“(12) **PUBLIC BROADCASTING SERVICE SATELLITE FEED.**—The term ‘Public Broadcasting Service satellite feed’ means the national satellite feed distributed and designated for purposes of this section by the Public Broadcasting Service consisting of educational and informational programming intended for private home viewing, to which the Public Broadcasting Service holds national terrestrial broadcast rights.”.

**SEC. 1007. APPLICATION OF FEDERAL COMMUNICATIONS COMMISSION REGULATIONS.**

Section 119(a) of title 17, United States Code, is amended—

(1) in paragraph (1), by inserting “with regard to secondary transmissions the satellite carrier is in compliance with the rules, regulations, or authorizations of the Federal Communications Commission governing the carriage of television broadcast station signals,” after “satellite carrier to the public for private home viewing,”;

(2) in paragraph (2), by inserting “with regard to secondary transmissions the satellite carrier is in compliance with the rules, regulations, or authorizations of the Federal Communications Commission governing the carriage of television broadcast station signals,” after “satellite carrier to the public for private home viewing,”; and

(3) by adding at the end of such subsection (as amended by section 1005(e) of this Act) the following new paragraph:

“(12) **STATUTORY LICENSE CONTINGENT ON COMPLIANCE WITH FCC RULES AND REMEDIAL STEPS.**—Notwithstanding any other provision of this section, the willful or repeated secondary transmission to the public by a satellite carrier of a primary transmission embodying a performance or display of a work made by a broadcast station licensed by the Federal Communications Commission is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506 and 509, if, at the time of such transmission, the satellite carrier is not in compliance with the rules, regulations, and authorizations of the Federal Commu-

*nications Commission concerning the carriage of television broadcast station signals.”.*

**SEC. 1008. RULES FOR SATELLITE CARRIERS RETRANSMITTING TELEVISION BROADCAST SIGNALS.**

*(a) AMENDMENTS TO COMMUNICATIONS ACT OF 1934.—Title III of the Communications Act of 1934 is amended by inserting after section 337 (47 U.S.C. 337) the following new sections:*

**“SEC. 338. CARRIAGE OF LOCAL TELEVISION SIGNALS BY SATELLITE CARRIERS.**

*“(a) CARRIAGE OBLIGATIONS.—*

*“(1) IN GENERAL.—Subject to the limitations of paragraph (2), each satellite carrier providing, under section 122 of title 17, United States Code, secondary transmissions to subscribers located within the local market of a television broadcast station of a primary transmission made by that station shall carry upon request the signals of all television broadcast stations located within that local market, subject to section 325(b).*

*“(2) REMEDIES FOR FAILURE TO CARRY.—The remedies for any failure to meet the obligations under this subsection shall be available exclusively under section 501(f) of title 17, United States Code.*

*“(3) EFFECTIVE DATE.—No satellite carrier shall be required to carry local television broadcast stations under paragraph (1) until January 1, 2002.*

*“(b) GOOD SIGNAL REQUIRED.—*

*“(1) COSTS.—A television broadcast station asserting its right to carriage under subsection (a) shall be required to bear the costs associated with delivering a good quality signal to the designated local receive facility of the satellite carrier or to another facility that is acceptable to at least one-half the stations asserting the right to carriage in the local market.*

*“(2) REGULATIONS.—The regulations issued under subsection (g) shall set forth the obligations necessary to carry out this subsection.*

*“(c) DUPLICATION NOT REQUIRED.—*

*“(1) COMMERCIAL STATIONS.—Notwithstanding subsection (a), a satellite carrier shall not be required to carry upon request the signal of any local commercial television broadcast station that substantially duplicates the signal of another local commercial television broadcast station which is secondarily transmitted by the satellite carrier within the same local market, or to carry upon request the signals of more than 1 local commercial television broadcast station in a single local market that is affiliated with a particular television network unless such stations are licensed to communities in different States.*

*“(2) NONCOMMERCIAL STATIONS.—The Commission shall prescribe regulations limiting the carriage requirements under subsection (a) of satellite carriers with respect to the carriage of multiple local noncommercial television broadcast stations. To the extent possible, such regulations shall provide the same degree of carriage by satellite carriers of such multiple stations as is provided by cable systems under section 615.*

*“(d) CHANNEL POSITIONING.—No satellite carrier shall be required to provide the signal of a local television broadcast station*

to subscribers in that station's local market on any particular channel number or to provide the signals in any particular order, except that the satellite carrier shall retransmit the signal of the local television broadcast stations to subscribers in the stations' local market on contiguous channels and provide access to such station's signals at a nondiscriminatory price and in a nondiscriminatory manner on any navigational device, on-screen program guide, or menu.

"(e) COMPENSATION FOR CARRIAGE.—A satellite carrier shall not accept or request monetary payment or other valuable consideration in exchange either for carriage of local television broadcast stations in fulfillment of the requirements of this section or for channel positioning rights provided to such stations under this section, except that any such station may be required to bear the costs associated with delivering a good quality signal to the local receive facility of the satellite carrier.

"(f) REMEDIES.—

"(1) COMPLAINTS BY BROADCAST STATIONS.—Whenever a local television broadcast station believes that a satellite carrier has failed to meet its obligations under subsections (b) through (e) of this section, such station shall notify the carrier, in writing, of the alleged failure and identify its reasons for believing that the satellite carrier failed to comply with such obligations. The satellite carrier shall, within 30 days after such written notification, respond in writing to such notification and comply with such obligations or state its reasons for believing that it is in compliance with such obligations. A local television broadcast station that disputes a response by a satellite carrier that it is in compliance with such obligations may obtain review of such denial or response by filing a complaint with the Commission. Such complaint shall allege the manner in which such satellite carrier has failed to meet its obligations and the basis for such allegations.

"(2) OPPORTUNITY TO RESPOND.—The Commission shall afford the satellite carrier against which a complaint is filed under paragraph (1) an opportunity to present data and arguments to establish that there has been no failure to meet its obligations under this section.

"(3) REMEDIAL ACTIONS; DISMISSAL.—Within 120 days after the date a complaint is filed under paragraph (1), the Commission shall determine whether the satellite carrier has met its obligations under subsections (b) through (e). If the Commission determines that the satellite carrier has failed to meet such obligations, the Commission shall order the satellite carrier to take appropriate remedial action. If the Commission determines that the satellite carrier has fully met the requirements of such subsections, the Commission shall dismiss the complaint.

"(g) REGULATIONS BY COMMISSION.—Within 1 year after the date of enactment of this section, the Commission shall issue regulations implementing this section following a rulemaking proceeding. The regulations prescribed under this section shall include requirements on satellite carriers that are comparable to the requirements on cable operators under sections 614(b) (3) and (4) and 615(g)(1) and (2).

"(h) DEFINITIONS.—As used in this section:

“(1) *DISTRIBUTOR*.—The term ‘distributor’ means an entity which contracts to distribute secondary transmissions from a satellite carrier and, either as a single channel or in a package with other programming, provides the secondary transmission either directly to individual subscribers or indirectly through other program distribution entities.

“(2) *LOCAL RECEIVE FACILITY*.—The term ‘local receive facility’ means the reception point in each local market which a satellite carrier designates for delivery of the signal of the station for purposes of retransmission.

“(3) *LOCAL MARKET*.—The term ‘local market’ has the meaning given that term under section 122(j) of title 17, United States Code.

“(4) *SATELLITE CARRIER*.—The term ‘satellite carrier’ has the meaning given such term under section 119(d) of title 17, United States Code.

“(5) *SECONDARY TRANSMISSION*.—The term ‘secondary transmission’ has the meaning given such term in section 119(d) of title 17, United States Code.

“(6) *SUBSCRIBER*.—The term ‘subscriber’ has the meaning given that term under section 122(j) of title 17, United States Code.

“(7) *TELEVISION BROADCAST STATION*.—The term ‘television broadcast station’ has the meaning given such term in section 325(b)(7).

**“SEC. 339. CARRIAGE OF DISTANT TELEVISION STATIONS BY SATELLITE CARRIERS.**

“(a) *PROVISIONS RELATING TO CARRIAGE OF DISTANT SIGNALS*.—

“(1) *CARRIAGE PERMITTED*.—

“(A) *IN GENERAL*.—Subject to section 119 of title 17, United States Code, any satellite carrier shall be permitted to provide the signals of no more than 2 network stations in a single day for each television network to any household not located within the local markets of those network stations.

“(B) *ADDITIONAL SERVICE*.—In addition to signals provided under subparagraph (A), any satellite carrier may also provide service under the statutory license of section 122 of title 17, United States Code, to the local market within which such household is located. The service provided under section 122 of such title may be in addition to the 2 signals provided under section 119 of such title.

“(2) *PENALTY FOR VIOLATION*.—Any satellite carrier that knowingly and willfully provides the signals of television stations to subscribers in violation of this subsection shall be liable for a forfeiture penalty under section 503 in the amount of \$50,000 for each violation or each day of a continuing violation.

“(b) *EXTENSION OF NETWORK NONDUPLICATION, SYNDICATED EXCLUSIVITY, AND SPORTS BLACKOUT TO SATELLITE RETRANSMISSION*.—

“(1) *EXTENSION OF PROTECTIONS*.—Within 45 days after the date of enactment of the Satellite Home Viewer Improvement

Act of 1999, the Commission shall commence a single rule-making proceeding to establish regulations that—

“(A) apply network nonduplication protection (47 C.F.R. 76.92) syndicated exclusivity protection (47 C.F.R. 76.151), and sports blackout protection (47 C.F.R. 76.67) to the retransmission of the signals of nationally distributed superstations by satellite carriers to subscribers; and

“(B) to the extent technically feasible and not economically prohibitive, apply sports blackout protection (47 C.F.R. 76.67) to the retransmission of the signals of network stations by satellite carriers to subscribers.

“(2) DEADLINE FOR ACTION.—The Commission shall complete all actions necessary to prescribe regulations required by this section so that the regulations shall become effective within 1 year after such date of enactment.

“(c) ELIGIBILITY FOR RETRANSMISSION.—

“(1) SIGNAL STANDARD FOR SATELLITE CARRIER PURPOSES.—For the purposes of identifying an unserved household under section 119(d)(10) of title 17, United States Code, within 1 year after the date of enactment of the Satellite Home Viewer Improvement Act of 1999, the Commission shall conclude an inquiry to evaluate all possible standards and factors for determining eligibility for retransmissions of the signals of network stations, and, if appropriate—

“(A) recommend modifications to the Grade B intensity standard for analog signals set forth in section 73.683(a) of its regulations (47 C.F.R. 73.683(a)), or recommend alternative standards or factors for purposes of determining such eligibility; and

“(B) make a further recommendation relating to an appropriate standard for digital signals.

“(2) WAIVERS.—A subscriber who is denied the retransmission of a signal of a network station under section 119 of title 17, United States Code, may request a waiver from such denial by submitting a request, through such subscriber’s satellite carrier, to the network station asserting that the retransmission is prohibited. The network station shall accept or reject a subscriber’s request for a waiver within 30 days after receipt of the request. The subscriber shall be permitted to receive such retransmission under section 119(d)(10)(B) of title 17, United States Code, if such station agrees to the waiver request and files with the satellite carrier a written waiver with respect to that subscriber allowing the subscriber to receive such retransmission. If a television network station fails to accept or reject a subscriber’s request for a waiver within the 30-day period after receipt of the request, that station shall be deemed to agree to the waiver request and have filed such written waiver.

“(3) ESTABLISHMENT OF IMPROVED PREDICTIVE MODEL REQUIRED.—Within 180 days after the date of enactment of the Satellite Home Viewer Improvement Act of 1999, the Commission shall take all actions necessary, including any reconsideration, to develop and prescribe by rule a point-to-point predictive model for reliably and presumptively determining the ability of individual locations to receive signals in accordance



with the signal intensity standard in effect under section 119(d)(10)(A) of title 17, United States Code. In prescribing such model, the Commission shall rely on the Individual Location Longley-Rice model set forth by the Federal Communications Commission in Docket 98-201 and ensure that such model takes into account terrain, building structures, and other land cover variations. The Commission shall establish procedures for the continued refinement in the application of the model by the use of additional data as it becomes available.

*“(4) OBJECTIVE VERIFICATION.—*

*“(A) IN GENERAL.—If a subscriber’s request for a waiver under paragraph (2) is rejected and the subscriber submits to the subscriber’s satellite carrier a request for a test verifying the subscriber’s inability to receive a signal that meets the signal intensity standard in effect under section 119(d)(10)(A) of title 17, United States Code, the satellite carrier and the network station or stations asserting that the retransmission is prohibited with respect to that subscriber shall select a qualified and independent person to conduct a test in accordance with section 73.686(d) of its regulations (47 C.F.R. 73.686(d)), or any successor regulation. Such test shall be conducted within 30 days after the date the subscriber submits a request for the test. If the written findings and conclusions of a test conducted in accordance with such section (or any successor regulation) demonstrate that the subscriber does not receive a signal that meets or exceeds the signal intensity standard in effect under section 119(d)(10)(A) of title 17, United States Code, the subscriber shall not be denied the retransmission of a signal of a network station under section 119 of title 17, United States Code.*

*“(B) DESIGNATION OF TESTER AND ALLOCATION OF COSTS.—If the satellite carrier and the network station or stations asserting that the retransmission is prohibited are unable to agree on such a person to conduct the test, the person shall be designated by an independent and neutral entity designated by the Commission by rule. Unless the satellite carrier and the network station or stations otherwise agree, the costs of conducting the test under this paragraph shall be borne by the satellite carrier, if the station’s signal meets or exceeds the signal intensity standard in effect under section 119(d)(10)(A) of title 17, United States Code, or by the network station, if its signal fails to meet or exceed such standard.*

*“(C) AVOIDANCE OF UNDUE BURDEN.— Commission regulations prescribed under this paragraph shall seek to avoid any undue burden on any party.*

*“(d) DEFINITIONS.—For the purposes of this section:*

*“(1) LOCAL MARKET.—The term ‘local market’ has the meaning given that term under section 122(j) of title 17, United States Code.*

*“(2) NATIONALLY DISTRIBUTED SUPERSTATION.—The term ‘nationally distributed superstation’ means a television broadcast station, licensed by the Commission, that—*

*“(A) is not owned or operated by or affiliated with a television network that, as of January 1, 1995, offered interconnected program service on a regular basis for 15 or more hours per week to at least 25 affiliated television licensees in 10 or more States;*

*“(B) on May 1, 1991, was retransmitted by a satellite carrier and was not a network station at that time; and*

*“(C) was, as of July 1, 1998, retransmitted by a satellite carrier under the statutory license of section 119 of title 17, United States Code.*

*“(3) NETWORK STATION.—The term ‘network station’ has the meaning given such term under section 119(d) of title 17, United States Code.*

*“(4) SATELLITE CARRIER.—The term ‘satellite carrier’ has the meaning given such term under section 119(d) of title 17, United States Code.*

*“(5) TELEVISION NETWORK.—The term ‘television network’ means a television network in the United States which offers an interconnected program service on a regular basis for 15 or more hours per week to at least 25 affiliated broadcast stations in 10 or more States.”.*

*(b) NETWORK STATION DEFINITION.—Section 119(d)(2) of title 17, United States Code, is amended—*

*(1) in subparagraph (B) by striking the period and inserting a semicolon; and*

*(2) by adding after subparagraph (B) the following: “except that the term does not include the signal of the Alaska Rural Communications Service, or any successor entity to that service.”.*

**SEC. 1009. RETRANSMISSION CONSENT.**

*(a) IN GENERAL.—Section 325(b) of the Communications Act of 1934 (47 U.S.C. 325(b)) is amended—*

*(1) by amending paragraphs (1) and (2) to read as follows:*

*“(b)(1) No cable system or other multichannel video programming distributor shall retransmit the signal of a broadcasting station, or any part thereof, except—*

*“(A) with the express authority of the originating station;*

*“(B) under section 614, in the case of a station electing, in accordance with this subsection, to assert the right to carriage under such section; or*

*“(C) under section 338, in the case of a station electing, in accordance with this subsection, to assert the right to carriage under such section.*

*“(2) This subsection shall not apply—*

*“(A) to retransmission of the signal of a noncommercial television broadcast station;*

*“(B) to retransmission of the signal of a television broadcast station outside the station’s local market by a satellite carrier directly to its subscribers, if—*

*“(i) such station was a superstation on May 1, 1991;*

*“(ii) as of July 1, 1998, such station was retransmitted by a satellite carrier under the statutory license of section 119 of title 17, United States Code; and*

*“(iii) the satellite carrier complies with any network nonduplication, syndicated exclusivity, and sports blackout*

*rules adopted by the Commission under section 339(b) of this Act;*

*“(C) until December 31, 2004, to retransmission of the signals of network stations directly to a home satellite antenna, if the subscriber receiving the signal—*

*“(i) is located in an area outside the local market of such stations; and*

*“(ii) resides in an unserved household;*

*“(D) to retransmission by a cable operator or other multichannel video provider, other than a satellite carrier, of the signal of a television broadcast station outside the station’s local market if such signal was obtained from a satellite carrier and—*

*“(i) the originating station was a superstation on May 1, 1991; and*

*“(ii) as of July 1, 1998, such station was retransmitted by a satellite carrier under the statutory license of section 119 of title 17, United States Code; or*

*“(E) during the 6-month period beginning on the date of enactment of the Satellite Home Viewer Improvement Act of 1999, to the retransmission of the signal of a television broadcast station within the station’s local market by a satellite carrier directly to its subscribers under the statutory license of section 122 of title 17, United States Code.*

*For purposes of this paragraph, the terms ‘satellite carrier’ and ‘superstation’ have the meanings given those terms, respectively, in section 119(d) of title 17, United States Code, as in effect on the date of enactment of the Cable Television Consumer Protection and Competition Act of 1992, the term ‘unserved household’ has the meaning given that term under section 119(d) of such title, and the term ‘local market’ has the meaning given that term in section 122(j) of such title.”;*

*(2) by adding at the end of paragraph (3) the following new subparagraph:*

*“(C) Within 45 days after the date of enactment of the Satellite Home Viewer Improvement Act of 1999, the Commission shall commence a rulemaking proceeding to revise the regulations governing the exercise by television broadcast stations of the right to grant retransmission consent under this subsection, and such other regulations as are necessary to administer the limitations contained in paragraph (2). The Commission shall complete all actions necessary to prescribe such regulations within 1 year after such date of enactment. Such regulations shall—*

*“(i) establish election time periods that correspond with those regulations adopted under subparagraph (B) of this paragraph; and*

*“(ii) until January 1, 2006, prohibit a television broadcast station that provides retransmission consent from engaging in exclusive contracts for carriage or failing to negotiate in good faith, and it shall not be a failure to negotiate in good faith if the television broadcast station enters into retransmission consent agreements containing different terms and conditions, including price terms, with different multichannel video program-*

ming distributors if such different terms and conditions are based on competitive marketplace considerations.”;

(3) in paragraph (4), by adding at the end the following new sentence: “If an originating television station elects under paragraph (3)(C) to exercise its right to grant retransmission consent under this subsection with respect to a satellite carrier, section 338 shall not apply to the carriage of the signal of such station by such satellite carrier.”;

(4) in paragraph (5), by striking “614 or 615” and inserting “338, 614, or 615”; and

(5) by adding at the end the following new paragraph:

“(7) For purposes of this subsection, the term—

“(A) ‘network station’ has the meaning given such term under section 119(d) of title 17, United States Code; and

“(B) ‘television broadcast station’ means an over-the-air commercial or noncommercial television broadcast station licensed by the Commission under subpart E of part 73 of title 47, Code of Federal Regulations, except that such term does not include a low-power or translator television station.”.

(b) **ENFORCEMENT PROVISIONS FOR CONSENT FOR RETRANSMISSIONS.**—Section 325 of the Communications Act of 1934 (47 U.S.C. 325) is amended by adding at the end the following new subsection:

“(e) **ENFORCEMENT PROCEEDINGS AGAINST SATELLITE CARRIERS CONCERNING RETRANSMISSIONS OF TELEVISION BROADCAST STATIONS IN THE RESPECTIVE LOCAL MARKETS OF SUCH CARRIERS.**—

“(1) **COMPLAINTS BY TELEVISION BROADCAST STATIONS.**—If after the expiration of the 6-month period described under subsection (b)(2)(E) a television broadcast station believes that a satellite carrier has retransmitted its signal to any person in the local market of such station in violation of subsection (b)(1), the station may file with the Commission a complaint providing—

“(A) the name, address, and call letters of the station;

“(B) the name and address of the satellite carrier;

“(C) the dates on which the alleged retransmission occurred;

“(D) the street address of at least 1 person in the local market of the station to whom the alleged retransmission was made;

“(E) a statement that the retransmission was not expressly authorized by the television broadcast station; and

“(F) the name and address of counsel for the station.

“(2) **SERVICE OF COMPLAINTS ON SATELLITE CARRIERS.**—For purposes of any proceeding under this subsection, any satellite carrier that retransmits the signal of any broadcast station shall be deemed to designate the Secretary of the Commission as its agent for service of process. A television broadcast station may serve a satellite carrier with a complaint concerning an alleged violation of subsection (b)(1) through retransmission of a station within the local market of such station by filing the original and 2 copies of the complaint with the Secretary of the Commission and serving a copy of the complaint on the satellite

carrier by means of 2 commonly used overnight delivery services, each addressed to the chief executive officer of the satellite carrier at its principal place of business, and each marked 'URGENT LITIGATION MATTER' on the outer packaging. Service shall be deemed complete 1 business day after a copy of the complaint is provided to the delivery services for overnight delivery. On receipt of a complaint filed by a television broadcast station under this subsection, the Secretary of the Commission shall send the original complaint by United States mail, postage prepaid, receipt requested, addressed to the chief executive officer of the satellite carrier at its principal place of business.

"(3) *ANSWERS BY SATELLITE CARRIERS.*—Within 5 business days after the date of service, the satellite carrier shall file an answer with the Commission and shall serve the answer by a commonly used overnight delivery service and by United States mail, on the counsel designated in the complaint at the address listed for such counsel in the complaint.

"(4) *DEFENSES.*—

"(A) *EXCLUSIVE DEFENSES.*—The defenses under this paragraph are the exclusive defenses available to a satellite carrier against which a complaint under this subsection is filed.

"(B) *DEFENSES.*—The defenses referred to under subparagraph (A) are the defenses that—

"(i) the satellite carrier did not retransmit the television broadcast station to any person in the local market of the station during the time period specified in the complaint;

"(ii) the television broadcast station had, in a writing signed by an officer of the television broadcast station, expressly authorized the retransmission of the station by the satellite carrier to each person in the local market of the television broadcast station to which the satellite carrier made such retransmissions for the entire time period during which it is alleged that a violation of subsection (b)(1) has occurred;

"(iii) the retransmission was made after January 1, 2002, and the television broadcast station had elected to assert the right to carriage under section 338 as against the satellite carrier for the relevant period; or

"(iv) the station being retransmitted is a non-commercial television broadcast station.

"(5) *COUNTING OF VIOLATIONS.*—The retransmission without consent of a particular television broadcast station on a particular day to 1 or more persons in the local market of the station shall be considered a separate violation of subsection (b)(1).

"(6) *BURDEN OF PROOF.*—With respect to each alleged violation, the burden of proof shall be on a television broadcast station to establish that the satellite carrier retransmitted the station to at least 1 person in the local market of the station on the day in question. The burden of proof shall be on the satellite carrier with respect to all defenses other than the defense under paragraph (4)(B)(i).

“(7) PROCEDURES.—

“(A) REGULATIONS.—Within 60 days after the date of enactment of the Satellite Home Viewer Improvement Act of 1999, the Commission shall issue procedural regulations implementing this subsection which shall supersede procedures under section 312.

“(B) DETERMINATIONS.—

“(i) IN GENERAL.—Within 45 days after the filing of a complaint, the Commission shall issue a final determination in any proceeding brought under this subsection. The Commission’s final determination shall specify the number of violations committed by the satellite carrier. The Commission shall hear witnesses only if it clearly appears, based on written filings by the parties, that there is a genuine dispute about material facts. Except as provided in the preceding sentence, the Commission may issue a final ruling based on written filings by the parties.

“(ii) DISCOVERY.—The Commission may direct the parties to exchange pertinent documents, and if necessary to take prehearing depositions, on such schedule as the Commission may approve, but only if the Commission first determines that such discovery is necessary to resolve a genuine dispute about material facts, consistent with the obligation to make a final determination within 45 days.

“(8) RELIEF.—If the Commission determines that a satellite carrier has retransmitted the television broadcast station to at least 1 person in the local market of such station and has failed to meet its burden of proving 1 of the defenses under paragraph (4) with respect to such retransmission, the Commission shall be required to—

“(A) make a finding that the satellite carrier violated subsection (b)(1) with respect to that station; and

“(B) issue an order, within 45 days after the filing of the complaint, containing—

“(i) a cease-and-desist order directing the satellite carrier immediately to stop making any further retransmissions of the television broadcast station to any person within the local market of such station until such time as the Commission determines that the satellite carrier is in compliance with subsection (b)(1) with respect to such station;

“(ii) if the satellite carrier is found to have violated subsection (b)(1) with respect to more than 2 television broadcast stations, a cease-and-desist order directing the satellite carrier to stop making any further retransmission of any television broadcast station to any person within the local market of such station, until such time as the Commission, after giving notice to the station, that the satellite carrier is in compliance with subsection (b)(1) with respect to such stations; and

“(iii) an award to the complainant of that complainant’s costs and reasonable attorney’s fees.

*“(9) COURT PROCEEDINGS ON ENFORCEMENT OF COMMISSION ORDER.—*

*“(A) IN GENERAL.—On entry by the Commission of a final order granting relief under this subsection—*

*“(i) a television broadcast station may apply within 30 days after such entry to the United States District Court for the Eastern District of Virginia for a final judgment enforcing all relief granted by the Commission; and*

*“(ii) the satellite carrier may apply within 30 days after such entry to the United States District Court for the Eastern District of Virginia for a judgment reversing the Commission’s order.*

*“(B) APPEAL.—The procedure for an appeal under this paragraph by the satellite carrier shall supersede any other appeal rights under Federal or State law. A United States district court shall be deemed to have personal jurisdiction over the satellite carrier if the carrier, or a company under common control with the satellite carrier, has delivered television programming by satellite to more than 30 customers in that district during the preceding 4-year period. If the United States District Court for the Eastern District of Virginia does not have personal jurisdiction over the satellite carrier, an enforcement action or appeal shall be brought in the United States District Court for the District of Columbia, which may find personal jurisdiction based on the satellite carrier’s ownership of licenses issued by the Commission. An application by a television broadcast station for an order enforcing any cease-and-desist relief granted by the Commission shall be resolved on a highly expedited schedule. No discovery may be conducted by the parties in any such proceeding. The district court shall enforce the Commission order unless the Commission record reflects manifest error and an abuse of discretion by the Commission.*

*“(10) CIVIL ACTION FOR STATUTORY DAMAGES.—Within 6 months after issuance of an order by the Commission under this subsection, a television broadcast station may file a civil action in any United States district court that has personal jurisdiction over the satellite carrier for an award of statutory damages for any violation that the Commission has determined to have been committed by a satellite carrier under this subsection. Such action shall not be subject to transfer under section 1404(a) of title 28, United States Code. On finding that the satellite carrier has committed 1 or more violations of subsection (b), the District Court shall be required to award the television broadcast station statutory damages of \$25,000 per violation, in accordance with paragraph (5), and the costs and attorney’s fees incurred by the station. Such statutory damages shall be awarded only if the television broadcast station has filed a binding stipulation with the court that such station will donate the full amount in excess of \$1,000 of any statutory damage award to the United States Treasury for public purposes. Notwithstanding any other provision of law, a station shall incur no tax liability of any kind with respect to any amounts so do-*

nated. Discovery may be conducted by the parties in any proceeding under this paragraph only if and to the extent necessary to resolve a genuinely disputed issue of fact concerning 1 of the defenses under paragraph (4). In any such action, the defenses under paragraph (4) shall be exclusive, and the burden of proof shall be on the satellite carrier with respect to all defenses other than the defense under paragraph (4)(B)(i). A judgment under this paragraph may be enforced in any manner permissible under Federal or State law.

**“(11) APPEALS.—**

**“(A) IN GENERAL.—**The nonprevailing party before a United States district court may appeal a decision under this subsection to the United States Court of Appeals with jurisdiction over that district court. The Court of Appeals shall not issue any stay of the effectiveness of any decision granting relief against a satellite carrier unless the carrier presents clear and convincing evidence that it is highly likely to prevail on appeal and only after posting a bond for the full amount of any monetary award assessed against it and for such further amount as the Court of Appeals may believe appropriate.

**“(B) APPEAL.—**If the Commission denies relief in response to a complaint filed by a television broadcast station under this subsection, the television broadcast station filing the complaint may file an appeal with the United States Court of Appeals for the District of Columbia Circuit.

**“(12) SUNSET.—**No complaint or civil action may be filed under this subsection after December 31, 2001. This subsection shall continue to apply to any complaint or civil action filed on or before such date.”.

**SEC. 1010. SEVERABILITY.**

If any provision of section 325(b) of the Communications Act of 1934 (47 U.S.C. 325(b)), or the application of that provision to any person or circumstance, is held by a court of competent jurisdiction to violate any provision of the Constitution of the United States, then the other provisions of that section, and the application of that provision to other persons and circumstances, shall not be affected.

**SEC. 1011. TECHNICAL AMENDMENTS.**

**(a) TECHNICAL AMENDMENTS RELATING TO CABLE SYSTEMS.—**Title 17, United States Code is amended as follows:

**(1) Such title is amended—**

**(A) by striking “cable system” and “cable systems” each place it appears (other than chapter 12) and inserting “terrestrial system” and “terrestrial systems”, respectively;**

**(B) by striking “cable service” each place it appears and inserting “terrestrial service”; and**

**(C) by striking “programing” each place it appears and inserting “programming”.**

**(2) Section 111(d)(1)(C) is amended by striking “cable system’s” and inserting “terrestrial system’s”.**

**(3) Section 111 is amended in the subsection headings for subsections (c), (d), and (e), by striking “CABLE” and inserting “TERRESTRIAL”.**



(4) Chapter 5 is amended—

(A) in the table of contents by amending the item relating to section 510 to read as follows:

“Sec. 510. Remedies for alteration of programming by terrestrial systems.”;

and

(B) by amending the section heading for section 510 to read as follows:

**“§ 510. Remedies for alteration of programming by terrestrial systems”.**

(5) Section 801(b)(2)(A) is amended—

(A) by striking “cable subscribers” and inserting “terrestrial service subscribers”; and

(B) by striking “cable industry” and inserting “terrestrial service industry”.

(6) Section 111 is amended by striking “compulsory” each place it appears and inserting “statutory”.

(7) Section 510(b) is amended by striking “compulsory” and inserting “statutory”.

(b) TECHNICAL AMENDMENTS RELATING TO PERFORMANCE OR DISPLAYS OF WORKS.—

(1) Section 111 of title 17, United States Code, is amended—

(A) in subsection (a), in the matter preceding paragraph (1), by striking “primary transmission embodying a performance or display of a work” and inserting “performance or display of a work embodied in a primary transmission”;

(B) in subsection (b), in the matter preceding paragraph (1), by striking “primary transmission embodying a performance or display of a work” and inserting “performance or display of a work embodied in a primary transmission”; and

(C) in subsection (c)—

(i) in paragraph (1)—

(I) by inserting “a performance or display of a work embodied in” after “by a terrestrial system of”; and

(II) by striking “and embodying a performance or display of a work”; and

(ii) in paragraphs (3) and (4)—

(I) by striking “a primary transmission” and inserting “a performance or display of a work embodied in a primary transmission”; and

(II) by striking “and embodying a performance or display of a work”.

(2) Section 119(a) of title 17, United States Code, is amended—

(A) in paragraph (1), by striking “primary transmission made by a superstation and embodying a performance or display of a work” and inserting “performance or display of a work embodied in a primary transmission made by a superstation”;

(B) in paragraph (2)(A), by striking “programming” and all that follows through “a work” and inserting “a performance or display of a work embodied in a primary transmission made by a network station”;

(C) in paragraph (4)—

(i) by inserting “a performance or display of a work embodied in” after “by a satellite carrier of”; and

(ii) by striking “and embodying a performance or display of a work”; and

(D) in paragraph (6)—

(i) by inserting “performance or display of a work embodied in” after “by a satellite carrier of”; and

(ii) by striking “and embodying a performance or display of a work”.

(3) Section 501(e) of title 17, United States Code, is amended by striking “primary transmission embodying the performance or display of a work” and inserting “performance or display of a work embodied in a primary transmission”.

(c) **TECHNICAL AMENDMENT RELATING TO TERRESTRIAL SYSTEMS.**—Section 111(f) of title 17, United States Code, is amended in the first sentence of the definition of ‘terrestrial system’, by inserting “, other than a digital online communication service,” after “other communications channels”.

(d) **CONFORMING AMENDMENT.**—Section 119(a)(2)(C) of title 17, United States Code, is amended in the first sentence by striking “currently”.

(e) **WORK MADE FOR HIRE.**—Section 101 of title 17, United States Code, is amended in the definition relating to work for hire in paragraph (2) by inserting “as a sound recording,” after “audio-visual work”.

**SEC. 1012. EFFECTIVE DATES.**

Sections 1001, 1003, 1005, 1007, 1008, 1009, 1010, and 1011 (and the amendments made by such sections) shall take effect on the date of enactment of this Act. The amendments made by sections 1002, 1004, and 1006 shall be effective as of July 1, 1999.

## **TITLE II—RURAL LOCAL TELEVISION SIGNALS**

**SEC. 2001. SHORT TITLE.**

This title may be cited as the “Rural Local Broadcast Signal Act”.

**SEC. 2002. LOAN GUARANTEES.**

(a) **PURPOSE.**—The purpose of this title is to ensure improved access to the signals of local television stations by multichannel video providers to all households which desire such service in unserved and underserved rural areas by December 31, 2006.

(b) **ASSISTANCE TO BORROWERS.**—Subject to the appropriations limitation under subsection (c)(2), the Secretary, after consultation with the Secretary of the Treasury and the Federal Communications Commission, may provide loan guarantees to borrowers to finance projects to provide local television broadcast signals by providers of

*multichannel video services including direct broadcast satellite licensees and licensees of multichannel multipoint distribution systems, to areas that do not receive local television broadcast signals over commercial for-profit direct-to-home satellite distribution systems. A borrower that receives a loan guarantee under this title may not transfer any part of the proceeds of the monies from the loans guaranteed under this program to an affiliate of the borrower.*

*(c) UNDERWRITING CRITERIA; PREREQUISITES.—*

*(1) IN GENERAL.—The Secretary shall administer the underwriting criteria developed under subsection (f)(1) to determine which loans are eligible for a guarantee under this title.*

*(2) AUTHORITY TO MAKE LOAN GUARANTEES.—The Secretary shall be authorized to guarantee loans under this title only to the extent provided for in advance by appropriations Acts.*

*(3) PREREQUISITES.—In addition to meeting the underwriting criteria under paragraph (1), a loan is not eligible for a loan guarantee under this title unless—*

*(A) the loan is made to finance the acquisition, improvement, enhancement, construction, deployment, launch, or rehabilitation of the means by which local television broadcast signals will be delivered to an area not receiving such signals over commercial for-profit direct-to-home satellite distribution systems;*

*(B) the proceeds of the loan will not be used for operating expenses;*

*(C) the total amount of all such loans may not exceed in the aggregate \$1,250,000,000;*

*(D) the loan does not exceed \$100,000,000, except that 1 loan under this title may exceed \$100,000,000, but shall not exceed \$625,000,000;*

*(E) the loan bears interest and penalties which, in the Secretary's judgment, are not unreasonable, taking into consideration the prevailing interest rates and customary fees incurred under similar obligations in the private capital market; and*

*(F) the Secretary determines that taking into account the practices of the private capital markets with respect to the financing of similar projects, the security of the loan is adequate.*

*(4) ADDITIONAL CRITERIA.—In addition to the requirements of paragraphs (1), (2), and (3), a loan for which a guarantee is sought under this title shall meet any additional criteria promulgated under subsection (f)(1).*

*(d) ADDITIONAL REQUIREMENTS.—The Secretary may not make a loan guarantee under this title unless—*

*(1) repayment of the obligation is required to be made within a term of the lesser of—*

*(A) 25 years from the date of its execution; or*

*(B) the useful life of the primary assets used in the delivery of relevant signals;*

*(2) the Secretary has been given the assurances and documentation necessary to review and approve the guaranteed loans;*

*(3) the Secretary makes a determination in writing that—*

(A) the applicant has given reasonable assurances that the assets, facilities, or equipment will be utilized economically and efficiently;

(B) necessary and sufficient regulatory approvals, spectrum rights, and delivery permissions have been received by project participants to assure the project's ability to repay obligations under this title; and

(C) repayment of the obligation can reasonably be expected, including the use of an appropriate combination of credit risk premiums and collateral offered by the applicant to protect the Federal Government.

(e) APPROVAL OF NTIA REQUIRED.—

(1) IN GENERAL.—The Secretary may not issue a loan guarantee under this title unless the National Telecommunications and Information Administration consults with the Secretary and certifies that—

(A) the issuance of the loan guarantee is consistent with subsection (a) of this section; and

(B) consistent with subsection (b) of this section, the project to be financed by a loan guaranteed under this section is not likely to have a substantial adverse impact on competition between multichannel video programming distributors that outweighs the benefits of improving access to the signals of a local television station by a multichannel video provider.

(2) CERTIFICATION.—The Secretary shall provide the appropriate information on each loan guarantee application recommended by the Secretary to the National Telecommunications and Information Administration for certification. The National Telecommunications and Information Administration shall make the determination required under this subsection within 90 days, without regard to the provision of chapter 5 of title 5, United States Code, and sections 10 and 11 of the Federal Advisory Committee Act (5 U.S.C. App.).

(f) REQUIREMENTS.—

(1) IN GENERAL.—Within 180 days after the date of enactment of this Act, the Secretary shall consult with the Office of Management and Budget and an independent public accounting firm to develop underwriting criteria relating to the issuance of loan guarantees, appropriate collateral and cash flow levels for the types of loan guarantees that might be issued under this title, and such other matters as the Secretary determines appropriate.

(2) AUTHORITY OF SECRETARY.—In lieu of or in combination with appropriations of budget authority to cover the costs of loan guarantees as required under section 504(b)(1) of the Federal Credit Reform Act of 1990, the Secretary may accept on behalf of an applicant for assistance under this title a commitment from a non-Federal source to fund in whole or in part the credit risk premiums with respect to the applicant's loan. The aggregate of appropriations of budget authority and credit risk premiums described in this paragraph with respect to a loan guarantee may not be less than the cost of that loan guarantee.

(3) *CREDIT RISK PREMIUM AMOUNT.*—The Secretary shall determine the amount required for credit risk premiums under this subsection on the basis of—

- (A) the circumstances of the applicant, including the amount of collateral offered;
- (B) the proposed schedule of loan disbursements;
- (C) the borrower's business plans for providing service;
- (D) financial commitment from the broadcast signal provider;
- (E) approval of the Office of Management and Budget;

and

(F) any other factors the Secretary considers relevant.

(4) *PAYMENT OF PREMIUMS.*—Credit risk premiums under this subsection shall be paid to an account established in the Treasury which shall accrue interest and such interest shall be retained by the account, subject to paragraph (5).

(5) *COHORTS OF LOANS.*—In order to maintain sufficient balances of credit risk premiums to adequately protect the Federal Government from risk of default, while minimizing the length of time the Government retains possession of those balances, the Secretary in consultation with the Office of Management and Budget shall establish cohorts of loans. When all obligations attached to a cohort of loans have been satisfied, credit risk premiums paid for the cohort, and interest accrued thereon, which were not used to mitigate losses shall be returned to the original source on a pro rata basis.

(g) *CONDITIONS OF ASSISTANCE.*—A borrower shall agree to such terms and conditions as are sufficient, in the judgment of the Secretary to ensure that, as long as any principal or interest is due and payable on such obligation, the borrower—

- (1) will maintain assets, equipment, facilities, and operations on a continuing basis;
- (2) will not make any discretionary dividend payments that reduce the ability to repay obligations incurred under this section; and
- (3) will remain sufficiently capitalized.

(h) *LIEN ON INTERESTS IN ASSETS.*—Upon providing a loan guarantee to a borrower under this title, the Secretary shall have liens which shall be superior to all other liens on assets of the borrower equal to the unpaid balance of the loan subject to such guarantee.

(i) *PERFECTED INTEREST.*—The Secretary and the lender shall have a perfected security interest in those assets of the borrower fully sufficient to protect the Secretary and the lender.

(j) *INSURANCE POLICIES.*—In accordance with practices of private lenders, as determined by the Secretary, the borrower shall obtain, at its expense, insurance sufficient to protect the interests of the Federal Government, as determined by the Secretary.

(k) *SPECIAL PROVISION FOR SATELLITE CARRIERS.*—No satellite carrier that provided television broadcast signals to subscribers on October 1, 1999, and no company that is an affiliate of any such carrier, shall be eligible for a loan guarantee under this section if either the carrier or its affiliate holds a license for unused spectrum

that would be suitable for delivering local television signals into unserved and underserved markets.

(l) *AUTHORIZATION OF APPROPRIATIONS.*—For the additional costs of the loans guaranteed under this title, including the cost of modifying the loans as defined in section 502 of the Congressional Budget Act of 1974 (2 U.S.C. 661(a)), there are authorized to be appropriated for fiscal years 2000 through 2006, such amounts as may be necessary. In addition there are authorized to be appropriated such sums as may be necessary to administer this title. Any amounts appropriated under this subsection shall remain available until expended.

**SEC. 2003. ADMINISTRATION OF LOAN GUARANTEES.**

(a) *APPLICATIONS.*—The Secretary shall prescribe the form and contents for an application for a loan guarantee under section 2002.

(b) *ASSIGNMENT OF LOAN GUARANTEES.*—The holder of a loan guaranteed under this title may assign the loan guarantee in whole or in part, subject to such requirements as the Secretary may prescribe.

(c) *MODIFICATIONS.*—The Secretary may approve the modification of any term or condition of a loan guarantee including the rate of interest, time of payment of interest or principal, or security requirements, if the Secretary finds in writing that—

(1) the modification is equitable and is in the overall best interests of the United States;

(2) consent has been obtained from the borrower and the lender;

(3) the modification is consistent with the objective underwriting criteria developed in consultation with the Office of Management and Budget and an independent public accounting firm under section 2002(f);

(4) the modification does not adversely affect the Federal Government's interest in the entity's assets or loan collateral;

(5) the modification does not adversely affect the entity's ability to repay the loan; and

(6) the National Telecommunications and Information Administration does not object to the modification on the ground that it is inconsistent with the certification under section 2002(e).

(d) *PRIORITY MARKETS.*—

(1) *IN GENERAL.*—To the maximum extent practicable, the Secretary shall give priority to projects which serve the most underserved rural markets, as determined by the Secretary. In making prioritization determinations, the Secretary shall consider prevailing market conditions, feasibility of providing service, population, terrain, and other factors the Secretary determines appropriate.

(2) *PRIORITY RELATING TO CONSUMER COSTS AND SEPARATE TIER OF SIGNALS.*—The Secretary shall give priority to projects that—

(A) offer a separate tier of local broadcast signals; and

(B) provide lower projected costs to consumers of such separate tier.

(3) *PERFORMANCE SCHEDULES.*—Applicants for priority projects under this section shall enter into stipulated performance schedules with the Secretary.

(4) *PENALTY.*—The Secretary may assess a borrower a penalty not to exceed 3 times the interest due on the guaranteed loan, if the borrower fails to meet its stipulated performance schedule. The penalty shall be paid to the account established by the Treasury under section 2002.

(5) *LIMITATION ON CONSIDERATION OF MOST POPULATED AREAS.*—The Secretary shall not provide a loan guarantee for a project that is primarily designed to serve the 40 most populated designated market areas and shall take into consideration the importance of serving rural markets that are not likely to be otherwise offered service under section 122 of title 17, United States Code, except through the loan guarantee program under this title.

(e) *COMPLIANCE.*—The Secretary shall enforce compliance by an applicant and any other party to the loan guarantee for whose benefit assistance is intended, with the provisions of this title, regulations issued hereunder, and the terms and conditions of the loan guarantee, including through regular periodic inspections and audits.

(f) *COMMERCIAL VALIDITY.*—For purposes of claims by any party other than the Secretary, a loan guarantee or loan guarantee commitment shall be conclusive evidence that the underlying obligation is in compliance with the provisions of the title, and that such obligation has been approved and is legal as to principal, interest, and other terms. Such a guarantee or commitment shall be valid and incontestable in the hands of a holder thereof, including the original lender or any other holder, as of the date when the Secretary granted the application therefor, except as to fraud or material misrepresentation by such holder.

(g) *DEFAULTS.*—The Secretary shall prescribe regulations governing a default on a loan guaranteed under this title.

(h) *RIGHTS OF THE SECRETARY.*—

(1) *SUBROGATION.*—If the Secretary authorizes payment to a holder, or a holder's agent, under subsection (g) in connection with a loan guarantee made under section 2002, the Secretary shall be subrogated to all of the rights of the holder with respect to the obligor under the loan.

(2) *DISPOSITION OF PROPERTY.*—The Secretary may complete, recondition, reconstruct, renovate, repair, maintain, operate, rent, sell, or otherwise dispose of any property or other interests obtained under this section in a manner that maximizes taxpayer return and is consistent with the public convenience and necessity.

(3) *WARRANTS.*—To ensure that the United States Government is compensated for the risk in making guarantees under this title, the Secretary shall enter into contracts under which the Government, contingent on the financial success of the borrower, would participate in a percentage of the gains of any for profit borrower or its security holders in connection with the project funded by loans so guaranteed.

(i) *ACTION AGAINST OBLIGOR.*—*The Secretary may bring a civil action in an appropriate district court of the United States in the name of the United States or of the holder of the obligation in the event of a default on a loan guaranteed under this title. The holder of a guarantee shall make available to the Secretary all records and evidence necessary to prosecute the civil action. The Secretary may accept property in full or partial satisfaction of any sums owed as a result of default. If the Secretary receives, through the sale or other disposition of such property, an amount greater than the aggregate of—*

*(1) the amount paid to the holder of a guarantee under subsection (g) of this section; and*

*(2) any other cost to the United States of remedying the default, the Secretary shall pay such excess to the obligor.*

(j) *BREACH OF CONDITIONS.*—*The Attorney General shall commence a civil action in a court of appropriate jurisdiction to enjoin any activity which the Secretary finds is in violation of this title, regulations issued hereunder, or any conditions which were duly agreed to, and to secure any other appropriate relief, including relief against any affiliate of the borrower.*

(k) *ATTACHMENT.*—*No attachment or execution may be issued against the Secretary or any property in the control of the Secretary prior to the entry of final judgment to such effect in any State, Federal, or other court.*

(l) *INVESTIGATION CHARGE AND FEES.*—

*(1) APPRAISAL FEE.*—*The Secretary may charge and collect from an applicant a reasonable fee for appraisal for the value of the equipment or facilities for which the loan guarantee is sought, and for making necessary determinations and findings. The fee may not, in the aggregate, be more than one-half of one percent of the principal amount of the obligation. The fee imposed under this paragraph shall be used to offset the administrative costs of the program.*

*(2) LOAN ORIGINATION FEE.*—*The Secretary may charge a loan origination fee.*

(m) *ANNUAL AUDIT.*—*The General Accounting Office shall annually audit the administration of this title and report the results to the Agriculture, Appropriations, and Judiciary Committees of the Senate and the House of Representatives, the House of Representatives Committee on Commerce, the Senate Committee on Commerce, Science, and Transportation, the Senate Committee on Banking, Housing, and Urban Affairs, and the House of Representatives Committee on Banking and Financial Services.*

(n) *INDEMNIFICATION.*—*An affiliate of the borrower shall indemnify the Government for any losses it incurs as a result of—*

*(1) a judgment against the borrower;*

*(2) any breach by the borrower of its obligations under the loan guarantee agreement;*

*(3) any violation of the provisions of this title by the borrower;*

*(4) any penalties incurred by the borrower for any reason, including the violation of the stipulated performance; and*

*(5) any other circumstances that the Secretary determines to be appropriate.*



(o) *SUNSET.*—*The Secretary may not approve a loan guarantee under this title after December 31, 2006.*

**SEC. 2004. RETRANSMISSION OF LOCAL TELEVISION BROADCAST STATIONS.**

*A borrower shall be subject to applicable rights, obligations, and limitations of title 17, United States Code. If a local broadcast station requests carriage of its signal and is located in a market not served by a satellite carrier providing service under a statutory license under section 122 of title 17, United States Code, the borrower shall carry the signal of that station without charge and shall be subject to the applicable rights, obligations, and limitations of sections 338, 614, and 615 of the Communications Act of 1934.*

**SEC. 2005. LOCAL TELEVISION SERVICE IN UNSERVED AND UNDERSERVED MARKETS.**

(a) *IN GENERAL.*—*Not later than 1 year after the date of enactment of this Act, the Commission shall take all actions necessary to make a determination regarding licenses or other authorizations for facilities that will utilize, for delivering local broadcast television station signals to satellite television subscribers in unserved and underserved local television markets, spectrum otherwise allocated to commercial use.*

(b) *RULES.*—

(1) *FORM OF BUSINESS.*—*To the extent not inconsistent with the Communications Act of 1934 and the Commission's rules, the Commission shall permit applicants under subsection (a) to engage in partnerships, joint ventures, and similar operating arrangements for the purpose of carrying out subsection (a).*

(2) *HARMFUL INTERFERENCE.*—*The Commission shall ensure that no facility licensed or authorized under subsection (a) causes harmful interference to the primary users of that spectrum or to public safety spectrum use.*

(3) *LIMITATION ON COMMISSION.*—*Except as provided in paragraphs (1) and (2), the Commission may not restrict any entity granted a license or other authorization under subsection (a) from using any reasonable compression, reformatting, or other technology.*

(c) *REPORT.*—*Not later than January 1, 2001, the Commission shall report to the Agriculture, Appropriations, and Judiciary Committees of the Senate and the House of Representatives, the Senate Committee on Commerce, Science, and Transportation, and the House of Representatives Committee on Commerce, on the extent to which licenses and other authorizations under subsection (a) have facilitated the delivery of local signals to satellite television subscribers in unserved and underserved local television markets. The report shall include—*

(1) *an analysis of the extent to which local signals are being provided by direct-to-home satellite television providers and by other multichannel video program distributors;*

(2) *an enumeration of the technical, economic, and other impediments each type of multichannel video programming distributor has encountered; and*

(3) *recommendations for specific measures to facilitate the provision of local signals to subscribers in unserved and underserved markets by direct-to-home satellite television providers*

and by other distributors of multichannel video programming service.

**SEC. 2006. DEFINITIONS.**

*In this title:*

(1) *AFFILIATE.*—The term “affiliate” means any person or entity that controls, or is controlled by, or is under common control with, another person or entity.

(2) *BORROWER.*—The term “borrower” means any person or entity receiving a loan guarantee under this program.

(3) *COMMISSION.*—The term “Commission” means the Federal Communications Commission.

(4) *COST.*—

(A) *IN GENERAL.*—The term “cost” means the estimated long-term cost to the Government of a loan guarantee or modification thereof, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays.

(B) *LOAN GUARANTEES.*—For purposes of this paragraph the cost of a loan guarantee—

(i) shall be the net present value, at the time when the guaranteed loan is disbursed, of the estimated cash flows of—

(I) payments by the Government to cover defaults and delinquencies, interest subsidies, or other payments;

(II) payments to the Government, including origination and other fees, penalties, and recoveries; and

(ii) shall include the effects of changes in loan terms resulting from the exercise by the guaranteed lender of an option included in the loan guarantee contract, or by the borrower of an option included in the guaranteed loan contract.

(C) *COST OF MODIFICATION.*—The cost of the modification shall be the difference between the current estimate of the net present value of the remaining cash flows under the terms of a loan guarantee contract, and the current estimate of the net present value of the remaining cash flows under the terms of the contract, as modified.

(D) *DISCOUNT RATE.*—In estimating net present value, the discount rate shall be the average interest rate on marketable Treasury securities of similar maturity to the cash flows of the guarantee for which the estimate is being made.

(E) *FISCAL YEAR ASSUMPTIONS.*—When funds of a loan guarantee under this title are obligated, the estimated cost shall be based on the current assumptions, adjusted to incorporate the terms of the loan contract, for the fiscal year in which the funds are obligated.

(5) *CURRENT.*—The term “current” has the same meaning as in section 250(c)(9) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(6) *DESIGNATED MARKET AREA.*—The term “designated market area” has the meaning given that term under section 122(j) of title 17, United States Code.

(7) *LOAN GUARANTEE.*—The term “loan guarantee” means any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to the Federal Financing Bank or a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

(8) *MODIFICATION.*—The term “modification” means any Government action that alters the estimated cost of an outstanding loan guarantee (or loan guarantee commitment) from the current estimate of cash flows, including the sale of loan assets, with or without recourse, and the purchase of guaranteed loans.

(9) *SECRETARY.*—The term “Secretary” means the Secretary of Agriculture.

(10) *COMMON TERMS.*—Except as provided in paragraphs (1) through (9), any term used in this title that is defined in the Communications Act of 1934 (47 U.S.C. 151 et seq.) has the meaning given it in that Act.

### **TITLE III—TRADEMARK CYBERPIRACY PREVENTION**

#### **SEC. 3001. SHORT TITLE; REFERENCES.**

(a) *SHORT TITLE.*—This title may be cited as the “Anticybersquatting Consumer Protection Act”.

(b) *REFERENCES TO THE TRADEMARK ACT OF 1946.*—Any reference in this title to the Trademark Act of 1946 shall be a reference to the Act entitled “An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes”, approved July 5, 1946 (15 U.S.C. 1051 et seq.).

#### **SEC. 3002. CYBERPIRACY PREVENTION.**

(a) *IN GENERAL.*—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by inserting at the end the following:

“(d)(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

“(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

“(ii) registers, traffics in, or uses a domain name that—

“(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

“(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

*“(III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.*

*“(B)(i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—*

*“(I) the trademark or other intellectual property rights of the person, if any, in the domain name;*

*“(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;*

*“(III) the person’s prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;*

*“(IV) the person’s bona fide noncommercial or fair use of the mark in a site accessible under the domain name;*

*“(V) the person’s intent to divert consumers from the mark owner’s online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;*

*“(VI) the person’s offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person’s prior conduct indicating a pattern of such conduct;*

*“(VII) the person’s provision of material and misleading false contact information when applying for the registration of the domain name, the person’s intentional failure to maintain accurate contact information, or the person’s prior conduct indicating a pattern of such conduct;*

*“(VIII) the person’s registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and*

*“(IX) the extent to which the mark incorporated in the person’s domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of section 43.*

*“(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.*

*“(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.*

*“(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant’s authorized licensee.*

*“(E) As used in this paragraph, the term ‘traffics in’ refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.*

*“(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—*

*“(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c); and*

*“(ii) the court finds that the owner—*

*“(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or*

*“(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—*

*“(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and*

*“(bb) publishing notice of the action as the court may direct promptly after filing the action.*

*“(B) The actions under subparagraph (A)(ii) shall constitute service of process.*

*“(C) In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which—*

*“(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or*

*“(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.*

*“(D)(i) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark. Upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall—*

*“(I) expeditiously deposit with the court documents sufficient to establish the court’s control and authority regarding the disposition of the registration and use of the domain name to the court; and*

*“(II) not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court.*

*“(ii) The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.*

“(3) *The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.*

“(4) *The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.*”

(b) **CYBERPIRACY PROTECTIONS FOR INDIVIDUALS.—**

(1) **IN GENERAL.—**

(A) **CIVIL LIABILITY.**—Any person who registers a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person’s consent, with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party, shall be liable in a civil action by such person.

(B) **EXCEPTION.**—A person who in good faith registers a domain name consisting of the name of another living person, or a name substantially and confusingly similar thereto, shall not be liable under this paragraph if such name is used in, affiliated with, or related to a work of authorship protected under title 17, United States Code, including a work made for hire as defined in section 101 of title 17, United States Code, and if the person registering the domain name is the copyright owner or licensee of the work, the person intends to sell the domain name in conjunction with the lawful exploitation of the work, and such registration is not prohibited by a contract between the registrant and the named person. The exception under this subparagraph shall apply only to a civil action brought under paragraph (1) and shall in no manner limit the protections afforded under the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) or other provision of Federal or State law.

(2) **REMEDIES.**—In any civil action brought under paragraph (1), a court may award injunctive relief, including the forfeiture or cancellation of the domain name or the transfer of the domain name to the plaintiff. The court may also, in its discretion, award costs and attorneys fees to the prevailing party.

(3) **DEFINITION.**—In this subsection, the term “domain name” has the meaning given that term in section 45 of the Trademark Act of 1946 (15 U.S.C. 1127).

(4) **EFFECTIVE DATE.**—This subsection shall apply to domain names registered on or after the date of enactment of this Act.

**SEC. 3003. DAMAGES AND REMEDIES.**

(a) **REMEDIES IN CASES OF DOMAIN NAME PIRACY.—**

(1) **INJUNCTIONS.**—Section 34(a) of the Trademark Act of 1946 (15 U.S.C. 1116(a)) is amended in the first sentence by striking “(a) or (c)” and inserting “(a), (c), or (d)”.

(2) **DAMAGES.**—Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by inserting “, (c), or (d)” after “section 43(a)”.

(b) **STATUTORY DAMAGES.**—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117) is amended by adding at the end the following:

“(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just.”.

**SEC. 3004. LIMITATION ON LIABILITY.**

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking “under section 43(a)” and inserting “under section 43(a) or (d)”; and

(2) by redesignating subparagraph (D) as subparagraph (E) and inserting after subparagraph (C) the following:

“(D)(i)(I) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in subclause (II), for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

“(II) A domain name registrar, domain name registry, or other domain name registration authority described in subclause (I) may be subject to injunctive relief only if such registrar, registry, or other registration authority has—

“(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court’s control and authority regarding the disposition of the registration and use of the domain name;

“(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or

“(cc) willfully failed to comply with any such court order.

“(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

“(I) in compliance with a court order under section 43(d); or

“(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another’s mark.

“(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

“(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney’s fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

“(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.”.

**SEC. 3005. DEFINITIONS.**

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the undesignated paragraph defining the term “counterfeit” the following:

“The term ‘domain name’ means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

“The term ‘Internet’ has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).”.

**SEC. 3006. STUDY ON ABUSIVE DOMAIN NAME REGISTRATIONS INVOLVING PERSONAL NAMES.**

(a) **IN GENERAL.**—Not later than 180 days after the date of enactment of this Act, the Secretary of Commerce, in consultation with the Patent and Trademark Office and the Federal Election Commission, shall conduct a study and report to Congress with recommendations on guidelines and procedures for resolving disputes involving the registration or use by a person of a domain name that includes the personal name of another person, in whole or in part, or a name confusingly similar thereto, including consideration of and recommendations for—

(1) protecting personal names from registration by another person as a second level domain name for purposes of selling or otherwise transferring such domain name to such other person or any third party for financial gain;

(2) protecting individuals from bad faith uses of their personal names as second level domain names by others with malicious intent to harm the reputation of the individual or the goodwill associated with that individual’s name;

(3) protecting consumers from the registration and use of domain names that include personal names in the second level domain in manners which are intended or are likely to confuse or deceive the public as to the affiliation, connection, or associa-



tion of the domain name registrant, or a site accessible under the domain name, with such other person, or as to the origin, sponsorship, or approval of the goods, services, or commercial activities of the domain name registrant;

(4) protecting the public from registration of domain names that include the personal names of government officials, official candidates, and potential official candidates for Federal, State, or local political office in the United States, and the use of such domain names in a manner that disrupts the electoral process or the public's ability to access accurate and reliable information regarding such individuals;

(5) existing remedies, whether under State law or otherwise, and the extent to which such remedies are sufficient to address the considerations described in paragraphs (1) through (4); and

(6) the guidelines, procedures, and policies of the Internet Corporation for Assigned Names and Numbers and the extent to which they address the considerations described in paragraphs (1) through (4).

(b) **GUIDELINES AND PROCEDURES.**—The Secretary of Commerce shall, under its Memorandum of Understanding with the Internet Corporation for Assigned Names and Numbers, collaborate to develop guidelines and procedures for resolving disputes involving the registration or use by a person of a domain name that includes the personal name of another person, in whole or in part, or a name confusingly similar thereto.

**SEC. 3007. HISTORIC PRESERVATION.**

Section 101(a)(1)(A) of the National Historic Preservation Act (16 U.S.C. 470a(a)(1)(A)) is amended by adding at the end the following: “Notwithstanding section 43(c) of the Act entitled ‘An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes’, approved July 5, 1946 (commonly known as the ‘Trademark Act of 1946’ (15 U.S.C. 1125(c))), buildings and structures on or eligible for inclusion on the National Register of Historic Places (either individually or as part of a historic district), or designated as an individual landmark or as a contributing building in a historic district by a unit of State or local government, may retain the name historically associated with the building or structure.”.

**SEC. 3008. SAVINGS CLAUSE.**

Nothing in this title shall affect any defense available to a defendant under the Trademark Act of 1946 (including any defense under section 43(c)(4) of such Act or relating to fair use) or a person's right of free speech or expression under the first amendment of the United States Constitution.

**SEC. 3009. TECHNICAL AND CONFORMING AMENDMENTS.**

Chapter 85 of title 28, United States Code, is amended as follows:

(1) Section 1338 of title 28, United States Codes, is amended—

(A) in the section heading by striking “**trade-marks**” and inserting “**trademarks**”;

(B) in subsection (a) by striking “trade-marks” and inserting “trademarks”; and

(C) in subsection (b) by striking “trade-mark” and inserting “trademark”.

(2) The item relating to section 1338 in the table of sections for chapter 85 of title 28, United States Code, is amended by striking “trade-marks” and inserting “trademarks”.

**SEC. 3010. EFFECTIVE DATE.**

Sections 3002(a), 3003, 3004, 3005, and 3008 of this title shall apply to all domain names registered before, on, or after the date of enactment of this Act, except that damages under subsection (a) or (d) of section 35 of the Trademark Act of 1946 (15 U.S.C. 1117), as amended by section 3003 of this title, shall not be available with respect to the registration, trafficking, or use of a domain name that occurs before the date of enactment of this Act.

## **TITLE IV—INVENTOR PROTECTION**

**SEC. 4001. SHORT TITLE.**

This title may be cited as the “American Inventors Protection Act of 1999”.

### **Subtitle A—Inventors’ Rights**

**SEC. 4101. SHORT TITLE.**

This subtitle may be cited as the “Inventors’ Rights Act of 1999”.

**SEC. 4102. INTEGRITY IN INVENTION PROMOTION SERVICES.**

(a) *IN GENERAL.*—Chapter 29 of title 35, United States Code, is amended by adding at the end the following new section:

**“§ 297. Improper and deceptive invention promotion**

“(a) *IN GENERAL.*—An invention promoter shall have a duty to disclose the following information to a customer in writing, prior to entering into a contract for invention promotion services:

“(1) the total number of inventions evaluated by the invention promoter for commercial potential in the past 5 years, as well as the number of those inventions that received positive evaluations, and the number of those inventions that received negative evaluations;

“(2) the total number of customers who have contracted with the invention promoter in the past 5 years, not including customers who have purchased trade show services, research, advertising, or other nonmarketing services from the invention promoter, or who have defaulted in their payment to the invention promoter;

“(3) the total number of customers known by the invention promoter to have received a net financial profit as a direct result of the invention promotion services provided by such invention promoter;

“(4) the total number of customers known by the invention promoter to have received license agreements for their inven-

tions as a direct result of the invention promotion services provided by such invention promoter; and

“(5) the names and addresses of all previous invention promotion companies with which the invention promoter or its officers have collectively or individually been affiliated in the previous 10 years.

“(b) **CIVIL ACTION.**—(1) Any customer who enters into a contract with an invention promoter and who is found by a court to have been injured by any material false or fraudulent statement or representation, or any omission of material fact, by that invention promoter (or any agent, employee, director, officer, partner, or independent contractor of such invention promoter), or by the failure of that invention promoter to disclose such information as required under subsection (a), may recover in a civil action against the invention promoter (or the officers, directors, or partners of such invention promoter), in addition to reasonable costs and attorneys’ fees—

“(A) the amount of actual damages incurred by the customer; or

“(B) at the election of the customer at any time before final judgment is rendered, statutory damages in a sum of not more than \$5,000, as the court considers just.

“(2) Notwithstanding paragraph (1), in a case where the customer sustains the burden of proof, and the court finds, that the invention promoter intentionally misrepresented or omitted a material fact to such customer, or willfully failed to disclose such information as required under subsection (a), with the purpose of deceiving that customer, the court may increase damages to not more than 3 times the amount awarded, taking into account past complaints made against the invention promoter that resulted in regulatory sanctions or other corrective actions based on those records compiled by the Commissioner of Patents under subsection (d).

“(c) **DEFINITIONS.**—For purposes of this section—

“(1) a ‘contract for invention promotion services’ means a contract by which an invention promoter undertakes invention promotion services for a customer;

“(2) a ‘customer’ is any individual who enters into a contract with an invention promoter for invention promotion services;

“(3) the term ‘invention promoter’ means any person, firm, partnership, corporation, or other entity who offers to perform or performs invention promotion services for, or on behalf of, a customer, and who holds itself out through advertising in any mass media as providing such services, but does not include—

“(A) any department or agency of the Federal Government or of a State or local government;

“(B) any nonprofit, charitable, scientific, or educational organization, qualified under applicable State law or described under section 170(b)(1)(A) of the Internal Revenue Code of 1986;

“(C) any person or entity involved in the evaluation to determine commercial potential of, or offering to license or sell, a utility patent or a previously filed nonprovisional utility patent application;

“(D) any party participating in a transaction involving the sale of the stock or assets of a business; or

“(E) any party who directly engages in the business of retail sales of products or the distribution of products; and

“(4) the term ‘invention promotion services’ means the procurement or attempted procurement for a customer of a firm, corporation, or other entity to develop and market products or services that include the invention of the customer.

“(d) RECORDS OF COMPLAINTS.—

“(1) RELEASE OF COMPLAINTS.—The Commissioner of Patents shall make all complaints received by the Patent and Trademark Office involving invention promoters publicly available, together with any response of the invention promoters. The Commissioner of Patents shall notify the invention promoter of a complaint and provide a reasonable opportunity to reply prior to making such complaint publicly available.

“(2) REQUEST FOR COMPLAINTS.—The Commissioner of Patents may request complaints relating to invention promotion services from any Federal or State agency and include such complaints in the records maintained under paragraph (1), together with any response of the invention promoters.”.

(b) CONFORMING AMENDMENT.—The table of sections at the beginning of chapter 29 of title 35, United States Code, is amended by adding at the end the following new item:

“§297. Improper and deceptive invention promotion.”.

**SEC. 4103. EFFECTIVE DATE.**

This subtitle and the amendments made by this subtitle shall take effect 60 days after the date of enactment of this Act.

## **Subtitle B—Patent and Trademark Fee Fairness**

**SEC. 4201. SHORT TITLE.**

This subtitle may be cited as the “Patent and Trademark Fee Fairness Act of 1999”.

**SEC. 4202. ADJUSTMENT OF PATENT FEES.**

(a) ORIGINAL FILING FEE.—Section 41(a)(1)(A) of title 35, United States Code, relating to the fee for filing an original patent application, is amended by striking “\$760” and inserting “\$690”.

(b) REISSUE FEE.—Section 41(a)(4)(A) of title 35, United States Code, relating to the fee for filing for a reissue of a patent, is amended by striking “\$760” and inserting “\$690”.

(c) NATIONAL FEE FOR CERTAIN INTERNATIONAL APPLICATIONS.—Section 41(a)(10) of title 35, United States Code, relating to the national fee for certain international applications, is amended by striking “\$760” and inserting “\$690”.

(d) MAINTENANCE FEES.—Section 41(b)(1) of title 35, United States Code, relating to certain maintenance fees, is amended by striking “\$940” and inserting “\$830”.

**SEC. 4203. ADJUSTMENT OF TRADEMARK FEES.**

Notwithstanding the second sentence of section 31(a) of the Trademark Act of 1946 (15 U.S.C. 111(a)), the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office is authorized in fiscal year 2000 to adjust trademark fees without regard to fluctuations in the Consumer Price Index during the preceding 12 months.

**SEC. 4204. STUDY ON ALTERNATIVE FEE STRUCTURES.**

The Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office shall conduct a study of alternative fee structures that could be adopted by the United States Patent and Trademark Office to encourage maximum participation by the inventor community in the United States. The Director shall submit such study to the Committees on the Judiciary of the House of Representatives and the Senate not later than 1 year after the date of enactment of this Act.

**SEC. 4205. PATENT AND TRADEMARK OFFICE FUNDING.**

Section 42(c) of title 35, United States Code, is amended in the second sentence—

(1) by striking “Fees available” and inserting “All fees available”; and

(2) by striking “may” and inserting “shall”.

**SEC. 4206. EFFECTIVE DATE.**

(a) *IN GENERAL.*—Except as provided in subsection (b), the amendments made by this subtitle shall take effect on the date of enactment of this Act.

(b) *SECTION 4202.*—The amendments made by section 4202 of this subtitle shall take effect 30 days after the date of enactment of this Act.

## **Subtitle C—First Inventor Defense**

**SEC. 4301. SHORT TITLE.**

This subtitle may be cited as the “First Inventor Defense Act of 1999”.

**SEC. 4302. DEFENSE TO PATENT INFRINGEMENT BASED ON EARLIER INVENTOR.**

(a) *DEFENSE.*—Chapter 28 of title 35, United States Code, is amended by adding at the end the following new section:

**“§ 273. Defense to infringement based on earlier inventor**

“(a) *DEFINITIONS.*—For purposes of this section—

“(1) the terms ‘commercially used’ and ‘commercial use’ mean use of a method in the United States, so long as such use is in connection with an internal commercial use or an actual arm’s-length sale or other arm’s-length commercial transfer of a useful end result, whether or not the subject matter at issue is accessible to or otherwise known to the public, except that the subject matter for which commercial marketing or use is subject to a premarketing regulatory review period during which the safety or efficacy of the subject matter is established, including any period specified in section 156(g), shall be deemed ‘commer-

cially used' and in 'commercial use' during such regulatory review period;

"(2) in the case of activities performed by a nonprofit research laboratory, or nonprofit entity such as a university, research center, or hospital, a use for which the public is the intended beneficiary shall be considered to be a use described in paragraph (1), except that the use—

"(A) may be asserted as a defense under this section only for continued use by and in the laboratory or nonprofit entity; and

"(B) may not be asserted as a defense with respect to any subsequent commercialization or use outside such laboratory or nonprofit entity;

"(3) the term 'method' means a method of doing or conducting business; and

"(4) the 'effective filing date' of a patent is the earlier of the actual filing date of the application for the patent or the filing date of any earlier United States, foreign, or international application to which the subject matter at issue is entitled under section 119, 120, or 365 of this title.

"(b) *DEFENSE TO INFRINGEMENT.*—

"(1) *IN GENERAL.*—It shall be a defense to an action for infringement under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims for a method in the patent being asserted against a person, if such person had, acting in good faith, actually reduced the subject matter to practice at least one year before the effective filing date of such patent, and commercially used the subject matter before the effective filing date of such patent.

"(2) *EXHAUSTION OF RIGHT.*—The sale or other disposition of a useful end product produced by a patented method, by a person entitled to assert a defense under this section with respect to that useful end result shall exhaust the patent owner's rights under the patent to the extent such rights would have been exhausted had such sale or other disposition been made by the patent owner.

"(3) *LIMITATIONS AND QUALIFICATIONS OF DEFENSE.*—The defense to infringement under this section is subject to the following:

"(A) *PATENT.*—A person may not assert the defense under this section unless the invention for which the defense is asserted is for a method.

"(B) *DERIVATION.*—A person may not assert the defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

"(C) *NOT A GENERAL LICENSE.*—The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the specific subject matter claimed in the patent with respect to which the person can assert a defense under this chapter, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do

*not infringe additional specifically claimed subject matter of the patent.*

*“(4) BURDEN OF PROOF.—A person asserting the defense under this section shall have the burden of establishing the defense by clear and convincing evidence.*

*“(5) ABANDONMENT OF USE.—A person who has abandoned commercial use of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under this section with respect to actions taken after the date of such abandonment.*

*“(6) PERSONAL DEFENSE.—The defense under this section may be asserted only by the person who performed the acts necessary to establish the defense and, except for any transfer to the patent owner, the right to assert the defense shall not be licensed or assigned or transferred to another person except as an ancillary and subordinate part of a good faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates.*

*“(7) LIMITATION ON SITES.—A defense under this section, when acquired as part of a good faith assignment or transfer of an entire enterprise or line of business to which the defense relates, may only be asserted for uses at sites where the subject matter that would otherwise infringe one or more of the claims is in use before the later of the effective filing date of the patent or the date of the assignment or transfer of such enterprise or line of business.*

*“(8) UNSUCCESSFUL ASSERTION OF DEFENSE.—If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney fees under section 285 of this title.*

*“(9) INVALIDITY.—A patent shall not be deemed to be invalid under section 102 or 103 of this title solely because a defense is raised or established under this section.”.*

*(b) CONFORMING AMENDMENT.—The table of sections at the beginning of chapter 28 of title 35, United States Code, is amended by adding at the end the following new item:*

*“273. Defense to infringement based on earlier inventor.”.*

**SEC. 4303. EFFECTIVE DATE AND APPLICABILITY.**

*This subtitle and the amendments made by this subtitle shall take effect on the date of enactment of this Act, but shall not apply to any action for infringement that is pending on such date of enactment or with respect to any subject matter for which an adjudication of infringement, including a consent judgment, has been made before such date of enactment.*

## ***Subtitle D—Patent Term Guarantee***

**SEC. 4401. SHORT TITLE.**

*This subtitle may be cited as the “Patent Term Guarantee Act of 1999”.*

**SEC. 4402. PATENT TERM GUARANTEE AUTHORITY.**

(a) **ADJUSTMENT OF PATENT TERM.**—Section 154(b) of title 35, United States Code, is amended to read as follows:

“(b) **ADJUSTMENT OF PATENT TERM.**—

“(1) **PATENT TERM GUARANTEES.**—

“(A) **GUARANTEE OF PROMPT PATENT AND TRADEMARK OFFICE RESPONSES.**—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the Patent and Trademark Office to—

“(i) provide at least 1 of the notifications under section 132 of this title or a notice of allowance under section 151 of this title not later than 14 months after—

“(I) the date on which an application was filed under section 111(a) of this title; or

“(II) the date on which an international application fulfilled the requirements of section 371 of this title;

“(ii) respond to a reply under section 132, or to an appeal taken under section 134, within 4 months after the date on which the reply was filed or the appeal was taken;

“(iii) act on an application within 4 months after the date of a decision by the Board of Patent Appeals and Interferences under section 134 or 135 or a decision by a Federal court under section 141, 145, or 146 in a case in which allowable claims remain in the application; or

“(iv) issue a patent within 4 months after the date on which the issue fee was paid under section 151 and all outstanding requirements were satisfied,

the term of the patent shall be extended one day for each day after the end of the period specified in clause (i), (ii), (iii), or (iv), as the case may be, until the action described in such clause is taken.

“(B) **GUARANTEE OF NO MORE THAN 3-YEAR APPLICATION PENDENCY.**—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the United States Patent and Trademark Office to issue a patent within 3 years after the actual filing date of the application in the United States, not including—

“(i) any time consumed by continued examination of the application requested by the applicant under section 132(b);

“(ii) any time consumed by a proceeding under section 135(a), any time consumed by the imposition of an order under section 181, or any time consumed by appellate review by the Board of Patent Appeals and Interferences or by a Federal court; or

“(iii) any delay in the processing of the application by the United States Patent and Trademark Office requested by the applicant except as permitted by paragraph (3)(C),



*the term of the patent shall be extended 1 day for each day after the end of that 3-year period until the patent is issued.*

*“(C) GUARANTEE OR ADJUSTMENTS FOR DELAYS DUE TO INTERFERENCES, SECRECY ORDERS, AND APPEALS.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to—*

*“(i) a proceeding under section 135(a);*

*“(ii) the imposition of an order under section 181;*

*or*

*“(iii) appellate review by the Board of Patent Appeals and Interferences or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability,*

*the term of the patent shall be extended one day for each day of the pendency of the proceeding, order, or review, as the case may be.*

*“(2) LIMITATIONS.—*

*“(A) IN GENERAL.—To the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any adjustment granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.*

*“(B) DISCLAIMED TERM.—No patent the term of which has been disclaimed beyond a specified date may be adjusted under this section beyond the expiration date specified in the disclaimer.*

*“(C) REDUCTION OF PERIOD OF ADJUSTMENT.—*

*“(i) The period of adjustment of the term of a patent under paragraph (1) shall be reduced by a period equal to the period of time during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application.*

*“(ii) With respect to adjustments to patent term made under the authority of paragraph (1)(B), an applicant shall be deemed to have failed to engage in reasonable efforts to conclude processing or examination of an application for the cumulative total of any periods of time in excess of 3 months that are taken to respond to a notice from the Office making any rejection, objection, argument, or other request, measuring such 3-month period from the date the notice was given or mailed to the applicant.*

*“(iii) The Director shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.*

*“(3) PROCEDURES FOR PATENT TERM ADJUSTMENT DETERMINATION.—*

*“(A) The Director shall prescribe regulations establishing procedures for the application for and determination of patent term adjustments under this subsection.*

“(B) Under the procedures established under subparagraph (A), the Director shall—

“(i) make a determination of the period of any patent term adjustment under this subsection, and shall transmit a notice of that determination with the written notice of allowance of the application under section 151; and

“(ii) provide the applicant one opportunity to request reconsideration of any patent term adjustment determination made by the Director.

“(C) The Director shall reinstate all or part of the cumulative period of time of an adjustment under paragraph (2)(C) if the applicant, prior to the issuance of the patent, makes a showing that, in spite of all due care, the applicant was unable to respond within the 3-month period, but in no case shall more than 3 additional months for each such response beyond the original 3-month period be reinstated.

“(D) The Director shall proceed to grant the patent after completion of the Director’s determination of a patent term adjustment under the procedures established under this subsection, notwithstanding any appeal taken by the applicant of such determination.

“(4) APPEAL OF PATENT TERM ADJUSTMENT DETERMINATION.—

“(A) An applicant dissatisfied with a determination made by the Director under paragraph (3) shall have remedy by a civil action against the Director filed in the United States District Court for the District of Columbia within 180 days after the grant of the patent. Chapter 7 of title 5 shall apply to such action. Any final judgment resulting in a change to the period of adjustment of the patent term shall be served on the Director, and the Director shall thereafter alter the term of the patent to reflect such change.

“(B) The determination of a patent term adjustment under this subsection shall not be subject to appeal or challenge by a third party prior to the grant of the patent.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 282 of title 35, United States Code, is amended in the fourth paragraph by striking “156 of this title” and inserting “154(b) or 156 of this title”.

(2) Section 1295(a)(4)(C) of title 28, United States Code, is amended by striking “145 or 146” and inserting “145, 146, or 154(b)”.

#### **SEC. 4403. CONTINUED EXAMINATION OF PATENT APPLICATIONS.**

Section 132 of title 35, United States Code, is amended—

(1) in the first sentence by striking “Whenever” and inserting “(a) Whenever”; and

(2) by adding at the end the following:

“(b) The Director shall prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant. The Director may establish appropriate fees for such continued examination and shall provide a 50 percent reduction in

*such fees for small entities that qualify for reduced fees under section 41(h)(1) of this title.”.*

**SEC. 4404. TECHNICAL CLARIFICATION.**

*Section 156(a) of title 35, United States Code, is amended in the matter preceding paragraph (1) by inserting “, which shall include any patent term adjustment granted under section 154(b),” after “the original expiration date of the patent”.*

**SEC. 4405. EFFECTIVE DATE.**

*(a) AMENDMENTS MADE BY SECTIONS 4402 AND 4404.—The amendments made by sections 4402 and 4404 shall take effect on the date that is 6 months after the date of enactment of this Act and, except for a design patent application filed under chapter 16 of title 35, United States Code, shall apply to any application filed on or after the date that is 6 months after the date of enactment of this Act.*

*(b) AMENDMENTS MADE BY SECTION 4403.—The amendments made by section 4403—*

*(1) shall take effect on the date that is 6 months after the date of enactment of this Act, and shall apply to all applications filed under section 111(a) of title 35, United States Code, on or after June 8, 1995, and all applications complying with section 371 of title 35, United States Code, that resulted from international applications filed on or after June 8, 1995; and*

*(2) do not apply to applications for design patents under chapter 16 of title 35, United States Code.*

## ***Subtitle E—Domestic Publication of Patent Applications Published Abroad***

**SEC. 4501. SHORT TITLE.**

*This subtitle may be cited as the “Domestic Publication of Foreign Filed Patent Applications Act of 1999”.*

**SEC. 4502. PUBLICATION.**

*(a) PUBLICATION.—Section 122 of title 35, United States Code, is amended to read as follows:*

***“§ 122. Confidential status of applications; publication of patent applications***

*“(a) CONFIDENTIALITY.—Except as provided in subsection (b), applications for patents shall be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of an Act of Congress or in such special circumstances as may be determined by the Director.*

*“(b) PUBLICATION.—*

*“(1) IN GENERAL.—(A) Subject to paragraph (2), each application for a patent shall be published, in accordance with procedures determined by the Director, promptly after the expiration of a period of 18 months from the earliest filing date for which a benefit is sought under this title. At the request of the applicant, an application may be published earlier than the end of such 18-month period.*

*“(B) No information concerning published patent applications shall be made available to the public except as the Director determines.*

*“(C) Notwithstanding any other provision of law, a determination by the Director to release or not to release information concerning a published patent application shall be final and nonreviewable.*

*“(2) EXCEPTIONS.—(A) An application shall not be published if that application is—*

*“(i) no longer pending;*

*“(ii) subject to a secrecy order under section 181 of this title;*

*“(iii) a provisional application filed under section 111(b) of this title; or*

*“(iv) an application for a design patent filed under chapter 16 of this title.*

*“(B)(i) If an applicant makes a request upon filing, certifying that the invention disclosed in the application has not and will not be the subject of an application filed in another country, or under a multilateral international agreement, that requires publication of applications 18 months after filing, the application shall not be published as provided in paragraph (1).*

*“(ii) An applicant may rescind a request made under clause (i) at any time.*

*“(iii) An applicant who has made a request under clause (i) but who subsequently files, in a foreign country or under a multilateral international agreement specified in clause (i), an application directed to the invention disclosed in the application filed in the Patent and Trademark Office, shall notify the Director of such filing not later than 45 days after the date of the filing of such foreign or international application. A failure of the applicant to provide such notice within the prescribed period shall result in the application being regarded as abandoned, unless it is shown to the satisfaction of the Director that the delay in submitting the notice was unintentional.*

*“(iv) If an applicant rescinds a request made under clause (i) or notifies the Director that an application was filed in a foreign country or under a multilateral international agreement specified in clause (i), the application shall be published in accordance with the provisions of paragraph (1) on or as soon as is practical after the date that is specified in clause (i).*

*“(v) If an applicant has filed applications in one or more foreign countries, directly or through a multilateral international agreement, and such foreign filed applications corresponding to an application filed in the Patent and Trademark Office or the description of the invention in such foreign filed applications is less extensive than the application or description of the invention in the application filed in the Patent and Trademark Office, the applicant may submit a redacted copy of the application filed in the Patent and Trademark Office eliminating any part or description of the invention in such application that is not also contained in any of the corresponding applications filed in a foreign country. The Director may only pub-*

lish the redacted copy of the application unless the redacted copy of the application is not received within 16 months after the earliest effective filing date for which a benefit is sought under this title. The provisions of section 154(d) shall not apply to a claim if the description of the invention published in the redacted application filed under this clause with respect to the claim does not enable a person skilled in the art to make and use the subject matter of the claim.

“(c) **PROTEST AND PRE-ISSUANCE OPPOSITION.**—The Director shall establish appropriate procedures to ensure that no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication of the application without the express written consent of the applicant.

“(d) **NATIONAL SECURITY.**—No application for patent shall be published under subsection (b)(1) if the publication or disclosure of such invention would be detrimental to the national security. The Director shall establish appropriate procedures to ensure that such applications are promptly identified and the secrecy of such inventions is maintained in accordance with chapter 17 of this title.”.

(b) **STUDY.**—

(1) **IN GENERAL.**—The Comptroller General shall conduct a 3-year study of the applicants who file only in the United States on or after the effective date of this subtitle and shall provide the results of such study to the Judiciary Committees of the House of Representatives and the Senate.

(2) **CONTENTS.**—The study conducted under paragraph (1) shall—

(A) consider the number of such applicants in relation to the number of applicants who file in the United States and outside of the United States;

(B) examine how many domestic-only filers request at the time of filing not to be published;

(C) examine how many such filers rescind that request or later choose to file abroad;

(D) examine the status of the entity seeking an application and any correlation that may exist between such status and the publication of patent applications; and

(E) examine the abandonment/issuance ratios and length of application pendency before patent issuance or abandonment for published versus unpublished applications.

#### **SEC. 4503. TIME FOR CLAIMING BENEFIT OF EARLIER FILING DATE.**

(a) **IN A FOREIGN COUNTRY.**—Section 119(b) of title 35, United States Code, is amended to read as follows:

“(b)(1) No application for patent shall be entitled to this right of priority unless a claim is filed in the Patent and Trademark Office, identifying the foreign application by specifying the application number on that foreign application, the intellectual property authority or country in or for which the application was filed, and the date of filing the application, at such time during the pendency of the application as required by the Director.

“(2) The Director may consider the failure of the applicant to file a timely claim for priority as a waiver of any such claim. The Director may establish procedures, including the payment of a sur-

charge, to accept an unintentionally delayed claim under this section.

“(3) The Director may require a certified copy of the original foreign application, specification, and drawings upon which it is based, a translation if not in the English language, and such other information as the Director considers necessary. Any such certification shall be made by the foreign intellectual property authority in which the foreign application was filed and show the date of the application and of the filing of the specification and other papers.”.

(b) IN THE UNITED STATES.—

(1) IN GENERAL.—Section 120 of title 35, United States Code, is amended by adding at the end the following: “No application shall be entitled to the benefit of an earlier filed application under this section unless an amendment containing the specific reference to the earlier filed application is submitted at such time during the pendency of the application as required by the Director. The Director may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Director may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed submission of an amendment under this section.”.

(2) RIGHT OF PRIORITY.—Section 119(e)(1) of title 35, United States Code, is amended by adding at the end the following: “No application shall be entitled to the benefit of an earlier filed provisional application under this subsection unless an amendment containing the specific reference to the earlier filed provisional application is submitted at such time during the pendency of the application as required by the Director. The Director may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this subsection. The Director may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed submission of an amendment under this subsection during the pendency of the application.”.

#### SEC. 4504. PROVISIONAL RIGHTS.

Section 154 of title 35, United States Code, is amended—

(1) in the section caption by inserting “; **provisional rights**” after “**patent**”; and

(2) by adding at the end the following new subsection:

“(d) PROVISIONAL RIGHTS.—

“(1) IN GENERAL.—In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent under section 122(b), or in the case of an international application filed under the treaty defined in section 351(a) designating the United States under Article 21(2)(a) of such treaty, the date of publication of the application, and ending on the date the patent is issued—

“(A)(i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent application or imports such an invention into the United States; or

“(ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and

“(B) had actual notice of the published patent application and, in a case in which the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, had a translation of the international application into the English language.

“(2) RIGHT BASED ON SUBSTANTIALLY IDENTICAL INVENTIONS.—The right under paragraph (1) to obtain a reasonable royalty shall not be available under this subsection unless the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.

“(3) TIME LIMITATION ON OBTAINING A REASONABLE ROYALTY.—The right under paragraph (1) to obtain a reasonable royalty shall be available only in an action brought not later than 6 years after the patent is issued. The right under paragraph (1) to obtain a reasonable royalty shall not be affected by the duration of the period described in paragraph (1).

“(4) REQUIREMENTS FOR INTERNATIONAL APPLICATIONS.—

“(A) EFFECTIVE DATE.—The right under paragraph (1) to obtain a reasonable royalty based upon the publication under the treaty defined in section 351(a) of an international application designating the United States shall commence on the date on which the Patent and Trademark Office receives a copy of the publication under the treaty of the international application, or, if the publication under the treaty of the international application is in a language other than English, on the date on which the Patent and Trademark Office receives a translation of the international application in the English language.

“(B) COPIES.—The Director may require the applicant to provide a copy of the international application and a translation thereof.”

**SEC. 4505. PRIOR ART EFFECT OF PUBLISHED APPLICATIONS.**

Section 102(e) of title 35, United States Code, is amended to read as follows:

“(e) The invention was described in—

“(1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effect under this subsection of a national application published under section 122(b) only if the international application designating the United States was published under Article 21(2)(a) of such treaty in the English language; or

“(2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that a patent shall not be deemed filed in the United States for the purposes of this subsection based

on the filing of an international application filed under the treaty defined in section 351(a); or”.

**SEC. 4506. COST RECOVERY FOR PUBLICATION.**

The Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office shall recover the cost of early publication required by the amendment made by section 4502 by charging a separate publication fee after notice of allowance is given under section 151 of title 35, United States Code.

**SEC. 4507. CONFORMING AMENDMENTS.**

The following provisions of title 35, United States Code, are amended:

(1) Section 11 is amended in paragraph 1 of subsection (a) by inserting “and published applications for patents” after “Patents”.

(2) Section 12 is amended—

(A) in the section caption by inserting “**and applications**” after “**patents**”; and

(B) by inserting “and published applications for patents” after “patents”.

(3) Section 13 is amended—

(A) in the section caption by inserting “**and applications**” after “**patents**”; and

(B) by inserting “and published applications for patents” after “patents”.

(4) The items relating to sections 12 and 13 in the table of sections for chapter 1 are each amended by inserting “and applications” after “patents”.

(5) The item relating to section 122 in the table of sections for chapter 11 is amended by inserting “; publication of patent applications” after “applications”.

(6) The item relating to section 154 in the table of sections for chapter 14 is amended by inserting “; provisional rights” after “patent”.

(7) Section 181 is amended—

(A) in the first undesignated paragraph—

(i) by inserting “by the publication of an application or” after “disclosure”; and

(ii) by inserting “the publication of the application or” after “withhold”;

(B) in the second undesignated paragraph by inserting “by the publication of an application or” after “disclosure of an invention”;

(C) in the third undesignated paragraph—

(i) by inserting “by the publication of the application or” after “disclosure of the invention”; and

(ii) by inserting “the publication of the application or” after “withhold”; and

(D) in the fourth undesignated paragraph by inserting “the publication of an application or” after “and” in the first sentence.



(8) Section 252 is amended in the first undesignated paragraph by inserting “substantially” before “identical” each place it appears.

(9) Section 284 is amended by adding at the end of the second undesignated paragraph the following: “Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.”

(10) Section 374 is amended to read as follows:

**“§ 374. Publication of international application**

*“The publication under the treaty defined in section 351(a) of this title, of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an application for patent published under section 122(b), except as provided in sections 102(e) and 154(d) of this title.”.*

(11) Section 135(b) is amended—

(A) by inserting “(1)” after “(b)”; and

(B) by adding at the end the following:

*“(2) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an application published under section 122(b) of this title may be made in an application filed after the application is published only if the claim is made before 1 year after the date on which the application is published.”.*

**SEC. 4508. EFFECTIVE DATE.**

Sections 4502 through 4507, and the amendments made by such sections, shall take effect on the date that is 1 year after the date of enactment of this Act and shall apply to all applications filed under section 111 of title 35, United States Code, on or after that date, and all applications complying with section 371 of title 35, United States Code, that resulted from international applications filed on or after that date. The amendments made by sections 4504 and 4505 shall apply to any such application voluntarily published by the applicant under procedures established under this subtitle that is pending on the date that is 1 year after the date of enactment of this Act. The amendment made by section 4504 shall also apply to international applications designating the United States that are filed on or after the date that is 1 year after the date of enactment of this Act.

## **Subtitle F—Optional Inter Partes Reexamination Procedure**

**SEC. 4601. SHORT TITLE.**

This subtitle may be cited as the “Optional Inter Partes Reexamination Procedure Act of 1999”.

**SEC. 4602. EX PARTE REEXAMINATION OF PATENTS.**

The chapter heading for chapter 30 of title 35, United States Code, is amended by inserting “EX PARTE” before “REEXAMINATION OF PATENTS”.

**SEC. 4603. DEFINITIONS.**

Section 100 of title 35, United States Code, is amended by adding at the end the following new subsection:

“(e) The term ‘third-party requester’ means a person requesting *ex parte* reexamination under section 302 or *inter partes* reexamination under section 311 who is not the patent owner.”.

**SEC. 4604. OPTIONAL INTER PARTES REEXAMINATION PROCEDURES.**

(a) *IN GENERAL.*—Part 3 of title 35, United States Code, is amended by adding after chapter 30 the following new chapter:

**“CHAPTER 31—OPTIONAL INTER PARTES  
REEXAMINATION PROCEDURES**

“Sec.

“311. Request for *inter partes* reexamination.

“312. Determination of issue by Director.

“313. *Inter partes* reexamination order by Director.

“314. Conduct of *inter partes* reexamination proceedings.

“315. Appeal.

“316. Certificate of patentability, unpatentability, and claim cancellation.

“317. *Inter partes* reexamination prohibited.

“318. Stay of litigation.

**“§ 311. Request for *inter partes* reexamination**

“(a) *IN GENERAL.*—Any person at any time may file a request for *inter partes* reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301.

“(b) *REQUIREMENTS.*—The request shall—

“(1) be in writing, include the identity of the real party in interest, and be accompanied by payment of an *inter partes* reexamination fee established by the Director under section 41; and

“(2) set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested.

“(c) *COPY.*—Unless the requesting person is the owner of the patent, the Director promptly shall send a copy of the request to the owner of record of the patent.

**“§ 312. Determination of issue by Director**

“(a) *REEXAMINATION.*—Not later than 3 months after the filing of a request for *inter partes* reexamination under section 311, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On the Director’s initiative, and at any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications.

“(b) *RECORD.*—A record of the Director’s determination under subsection (a) shall be placed in the official file of the patent, and a copy shall be promptly given or mailed to the owner of record of the patent and to the third-party requester, if any.

“(c) *FINAL DECISION.*—A determination by the Director under subsection (a) shall be final and non-appealable. Upon a determination that no substantial new question of patentability has been

raised, the Director may refund a portion of the inter partes reexamination fee required under section 311.

**“§ 313. Inter partes reexamination order by Director**

*“If, in a determination made under section 312(a), the Director finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for inter partes reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the inter partes reexamination conducted in accordance with section 314.*

**“§ 314. Conduct of inter partes reexamination proceedings**

*“(a) IN GENERAL.—Except as otherwise provided in this section, reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133. In any inter partes reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.*

*“(b) RESPONSE.—(1) This subsection shall apply to any inter partes reexamination proceeding in which the order for inter partes reexamination is based upon a request by a third-party requester.*

*“(2) With the exception of the inter partes reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party. In addition, the third-party requester shall receive a copy of any communication sent by the Office to the patent owner concerning the patent subject to the inter partes reexamination proceeding.*

*“(3) Each time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner’s response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner’s response.*

*“(c) SPECIAL DISPATCH.—Unless otherwise provided by the Director for good cause, all inter partes reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office.*

**“§ 315. Appeal**

*“(a) PATENT OWNER.—The patent owner involved in an inter partes reexamination proceeding under this chapter—*

*“(1) may appeal under the provisions of section 134 and may appeal under the provisions of sections 141 through 144, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent; and*

*“(2) may be a party to any appeal taken by a third-party requester under subsection (b).*

*“(b) THIRD-PARTY REQUESTER.—A third-party requester may—*

*“(1) appeal under the provisions of section 134 with respect to any final decision favorable to the patentability of any original or proposed amended or new claim of the patent; or*

*“(2) be a party to any appeal taken by the patent owner under the provisions of section 134, subject to subsection (c).*

*“(c) CIVIL ACTION.—A third-party requester whose request for an inter partes reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the inter partes reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination proceedings.*

**“§ 316. Certificate of patentability, unpatentability, and claim cancellation**

*“(a) IN GENERAL.—In an inter partes reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.*

*“(b) AMENDED OR NEW CLAIM.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes reexamination proceeding shall have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, prior to issuance of a certificate under the provisions of subsection (a) of this section.*

**“§ 317. Inter partes reexamination prohibited**

*“(a) ORDER FOR REEXAMINATION.—Notwithstanding any provision of this chapter, once an order for inter partes reexamination of a patent has been issued under section 313, neither the patent owner nor the third-party requester, if any, nor privies of either, may file a subsequent request for inter partes reexamination of the patent until an inter partes reexamination certificate is issued and published under section 316, unless authorized by the Director.*

*“(b) FINAL DECISION.—Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28 that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an inter partes reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter request an inter partes reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action*

or *inter partes* reexamination proceeding, and an *inter partes* reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings.

**“§318. Stay of litigation**

“Once an order for *inter partes* reexamination of a patent has been issued under section 313, the patent owner may obtain a stay of any pending litigation which involves an issue of patentability of any claims of the patent which are the subject of the *inter partes* reexamination order, unless the court before which such litigation is pending determines that a stay would not serve the interests of justice.”

(b) CONFORMING AMENDMENT.—The table of chapters for part III of title 25, United States Code, is amended by striking the item relating to chapter 30 and inserting the following:

“30. Prior Art Citations to Office and Ex Parte Reexamination of Patents .....	301
“31. Optional Inter Partes Reexamination of Patents .....	311”.

**SEC. 4605. CONFORMING AMENDMENTS.**

(a) PATENT FEES; PATENT SEARCH SYSTEMS.—Section 41(a)(7) of title 35, United States Code, is amended to read as follows:

“(7) On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in any reexamination proceeding, \$1,210, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be \$110.”

(b) APPEAL TO THE BOARD OF PATENTS APPEALS AND INTERFERENCES.—Section 134 of title 35, United States Code, is amended to read as follows:

**“§134. Appeal to the Board of Patent Appeals and Interferences**

“(a) PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the administrative patent judge to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.

“(b) PATENT OWNER.—A patent owner in any reexamination proceeding may appeal from the final rejection of any claim by the administrative patent judge to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.

“(c) THIRD-PARTY.—A third-party requester in an *inter partes* proceeding may appeal to the Board of Patent Appeals and Interferences from the final decision of the administrative patent judge favorable to the patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal. The third-party requester may not appeal the decision of the Board of Patent Appeals and Interferences.”

(c) *APPEAL TO COURT OF APPEALS FOR THE FEDERAL CIRCUIT.*—Section 141 of title 35, United States Code, is amended by adding the following after the second sentence: “A patent owner in any reexamination proceeding dissatisfied with the final decision in an appeal to the Board of Patent Appeals and Interferences under section 134 may appeal the decision only to the United States Court of Appeals for the Federal Circuit.”.

(d) *PROCEEDINGS ON APPEAL.*—Section 143 of title 35, United States Code, is amended by amending the third sentence to read as follows: “In any reexamination case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all the issues involved in the appeal.”.

(e) *CIVIL ACTION TO OBTAIN PATENT.*—Section 145 of title 35, United States Code, is amended in the first sentence by inserting “(a)” after “section 134”.

**SEC. 4606. REPORT TO CONGRESS.**

Not later than 5 years after the date of the enactment of this Act, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office shall submit to the Congress a report evaluating whether the inter partes reexamination proceedings established under the amendments made by this subtitle are inequitable to any of the parties in interest and, if so, the report shall contain recommendations for changes to the amendments made by this subtitle to remove such inequity.

**SEC. 4607. ESTOPPEL EFFECT OF REEXAMINATION.**

Any party who requests an inter partes reexamination under section 311 of title 35, United States Code, is estopped from challenging at a later time, in any civil action, any fact determined during the process of such reexamination, except with respect to a fact determination later proved to be erroneous based on information unavailable at the time of the inter partes reexamination decision. If this section is held to be unenforceable, the enforceability of the remainder of this subtitle or of this title shall not be denied as a result.

**SEC. 4608. EFFECTIVE DATE.**

(a) *IN GENERAL.*—Subject to subsection (b), this subtitle and the amendments made by this subtitle shall take effect on the date of enactment of this Act and shall apply to any patent that issues from an original application filed in the United States on or after that date.

(b) *SECTION 4605(a).*—The amendments made by section 4605(a) shall take effect on the date that is 1 year after the date of enactment of this Act.

## ***Subtitle G—Patent and Trademark Office***

**SEC. 4701. SHORT TITLE.**

This subtitle may be cited as the “Patent and Trademark Office Efficiency Act”.

## **CHAPTER 1—UNITED STATES PATENT AND TRADEMARK OFFICE**

### **SEC. 4711. ESTABLISHMENT OF PATENT AND TRADEMARK OFFICE.**

*Section 1 of title 35, United States Code, is amended to read as follows:*

#### **“§ 1. Establishment**

“(a) *ESTABLISHMENT.*—The United States Patent and Trademark Office is established as an agency of the United States, within the Department of Commerce. In carrying out its functions, the United States Patent and Trademark Office shall be subject to the policy direction of the Secretary of Commerce, but otherwise shall retain responsibility for decisions regarding the management and administration of its operations and shall exercise independent control of its budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions in accordance with this title and applicable provisions of law. Those operations designed to grant and issue patents and those operations which are designed to facilitate the registration of trademarks shall be treated as separate operating units within the Office.

“(b) *OFFICES.*—The United States Patent and Trademark Office shall maintain its principal office in the metropolitan Washington, DC, area, for the service of process and papers and for the purpose of carrying out its functions. The United States Patent and Trademark Office shall be deemed, for purposes of venue in civil actions, to be a resident of the district in which its principal office is located, except where jurisdiction is otherwise provided by law. The United States Patent and Trademark Office may establish satellite offices in such other places in the United States as it considers necessary and appropriate in the conduct of its business.

“(c) *REFERENCE.*—For purposes of this title, the United States Patent and Trademark Office shall also be referred to as the ‘Office’ and the ‘Patent and Trademark Office’.”.

### **SEC. 4712. POWERS AND DUTIES.**

*Section 2 of title 35, United States Code, is amended to read as follows:*

#### **“§ 2. Powers and duties**

“(a) *IN GENERAL.*—The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce—

“(1) shall be responsible for the granting and issuing of patents and the registration of trademarks; and

“(2) shall be responsible for disseminating to the public information with respect to patents and trademarks.

“(b) *SPECIFIC POWERS.*—The Office—

“(1) shall adopt and use a seal of the Office, which shall be judicially noticed and with which letters patent, certificates of trademark registrations, and papers issued by the Office shall be authenticated;

“(2) may establish regulations, not inconsistent with law, which—

*“(A) shall govern the conduct of proceedings in the Office;*

*“(B) shall be made in accordance with section 553 of title 5;*

*“(C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically, subject to the provisions of section 122 relating to the confidential status of applications;*

*“(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office;*

*“(E) shall recognize the public interest in continuing to safeguard broad access to the United States patent system through the reduced fee structure for small entities under section 41(h)(1) of this title; and*

*“(F) provide for the development of a performance-based process that includes quantitative and qualitative measures and standards for evaluating cost-effectiveness and is consistent with the principles of impartiality and competitiveness;*

*“(3) may acquire, construct, purchase, lease, hold, manage, operate, improve, alter, and renovate any real, personal, or mixed property, or any interest therein, as it considers necessary to carry out its functions;*

*“(4)(A) may make such purchases, contracts for the construction, maintenance, or management and operation of facilities, and contracts for supplies or services, without regard to the provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.), the Public Buildings Act (40 U.S.C. 601 et seq.), and the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 et seq.); and*

*“(B) may enter into and perform such purchases and contracts for printing services, including the process of composition, platemaking, presswork, silk screen processes, binding, microform, and the products of such processes, as it considers necessary to carry out the functions of the Office, without regard to sections 501 through 517 and 1101 through 1123 of title 44;*

*“(5) may use, with their consent, services, equipment, personnel, and facilities of other departments, agencies, and instrumentalities of the Federal Government, on a reimbursable basis, and cooperate with such other departments, agencies, and instrumentalities in the establishment and use of services, equipment, and facilities of the Office;*

*“(6) may, when the Director determines that it is practicable, efficient, and cost-effective to do so, use, with the consent of the United States and the agency, instrumentality, patent and trademark office, or international organization con-*



*cerned, the services, records, facilities, or personnel of any State or local government agency or instrumentality or foreign patent and trademark office or international organization to perform functions on its behalf;*

*“(7) may retain and use all of its revenues and receipts, including revenues from the sale, lease, or disposal of any real, personal, or mixed property, or any interest therein, of the Office;*

*“(8) shall advise the President, through the Secretary of Commerce, on national and certain international intellectual property policy issues;*

*“(9) shall advise Federal departments and agencies on matters of intellectual property policy in the United States and intellectual property protection in other countries;*

*“(10) shall provide guidance, as appropriate, with respect to proposals by agencies to assist foreign governments and international intergovernmental organizations on matters of intellectual property protection;*

*“(11) may conduct programs, studies, or exchanges of items or services regarding domestic and international intellectual property law and the effectiveness of intellectual property protection domestically and throughout the world;*

*“(12)(A) shall advise the Secretary of Commerce on programs and studies relating to intellectual property policy that are conducted, or authorized to be conducted, cooperatively with foreign intellectual property offices and international intergovernmental organizations; and*

*“(B) may conduct programs and studies described in subparagraph (A); and*

*“(13)(A) in coordination with the Department of State, may conduct programs and studies cooperatively with foreign intellectual property offices and international intergovernmental organizations; and*

*“(B) with the concurrence of the Secretary of State, may authorize the transfer of not to exceed \$100,000 in any year to the Department of State for the purpose of making special payments to international intergovernmental organizations for studies and programs for advancing international cooperation concerning patents, trademarks, and other matters.*

*“(c) CLARIFICATION OF SPECIFIC POWERS.—(1) The special payments under subsection (b)(13)(B) shall be in addition to any other payments or contributions to international organizations described in subsection (b)(13)(B) and shall not be subject to any limitations imposed by law on the amounts of such other payments or contributions by the United States Government.*

*“(2) Nothing in subsection (b) shall derogate from the duties of the Secretary of State or from the duties of the United States Trade Representative as set forth in section 141 of the Trade Act of 1974 (19 U.S.C. 2171).*

*“(3) Nothing in subsection (b) shall derogate from the duties and functions of the Register of Copyrights or otherwise alter current authorities relating to copyright matters.*

“(4) In exercising the Director’s powers under paragraphs (3) and (4)(A) of subsection (b), the Director shall consult with the Administrator of General Services.

“(5) In exercising the Director’s powers and duties under this section, the Director shall consult with the Register of Copyrights on all copyright and related matters.

“(d) CONSTRUCTION.—Nothing in this section shall be construed to nullify, void, cancel, or interrupt any pending request-for-proposal let or contract issued by the General Services Administration for the specific purpose of relocating or leasing space to the United States Patent and Trademark Office.”

**SEC. 4713. ORGANIZATION AND MANAGEMENT.**

Section 3 of title 35, United States Code, is amended to read as follows:

**“§ 3. Officers and employees**

“(a) UNDER SECRETARY AND DIRECTOR.—

“(1) IN GENERAL.—The powers and duties of the United States Patent and Trademark Office shall be vested in an Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (in this title referred to as the ‘Director’), who shall be a citizen of the United States and who shall be appointed by the President, by and with the advice and consent of the Senate. The Director shall be a person who has a professional background and experience in patent or trademark law.

“(2) DUTIES.—

“(A) IN GENERAL.—The Director shall be responsible for providing policy direction and management supervision for the Office and for the issuance of patents and the registration of trademarks. The Director shall perform these duties in a fair, impartial, and equitable manner.

“(B) CONSULTING WITH THE PUBLIC ADVISORY COMMITTEES.—The Director shall consult with the Patent Public Advisory Committee established in section 5 on a regular basis on matters relating to the patent operations of the Office, shall consult with the Trademark Public Advisory Committee established in section 5 on a regular basis on matters relating to the trademark operations of the Office, and shall consult with the respective Public Advisory Committee before submitting budgetary proposals to the Office of Management and Budget or changing or proposing to change patent or trademark user fees or patent or trademark regulations which are subject to the requirement to provide notice and opportunity for public comment under section 553 of title 5, as the case may be.

“(3) OATH.—The Director shall, before taking office, take an oath to discharge faithfully the duties of the Office.

“(4) REMOVAL.—The Director may be removed from office by the President. The President shall provide notification of any such removal to both Houses of Congress.

“(b) OFFICERS AND EMPLOYEES OF THE OFFICE.—

“(1) DEPUTY UNDER SECRETARY AND DEPUTY DIRECTOR.—The Secretary of Commerce, upon nomination by the Director,

*shall appoint a Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office who shall be vested with the authority to act in the capacity of the Director in the event of the absence or incapacity of the Director. The Deputy Director shall be a citizen of the United States who has a professional background and experience in patent or trademark law.*

*“(2) COMMISSIONERS.—*

*“(A) APPOINTMENT AND DUTIES.—The Secretary of Commerce shall appoint a Commissioner for Patents and a Commissioner for Trademarks, without regard to chapter 33, 51, or 53 of title 5. The Commissioner for Patents shall be a citizen of the United States with demonstrated management ability and professional background and experience in patent law and serve for a term of 5 years. The Commissioner for Trademarks shall be a citizen of the United States with demonstrated management ability and professional background and experience in trademark law and serve for a term of 5 years. The Commissioner for Patents and the Commissioner for Trademarks shall serve as the chief operating officers for the operations of the Office relating to patents and trademarks, respectively, and shall be responsible for the management and direction of all aspects of the activities of the Office that affect the administration of patent and trademark operations, respectively. The Secretary may reappoint a Commissioner to subsequent terms of 5 years as long as the performance of the Commissioner as set forth in the performance agreement in subparagraph (B) is satisfactory.*

*“(B) SALARY AND PERFORMANCE AGREEMENT.—The Commissioners shall be paid an annual rate of basic pay not to exceed the maximum rate of basic pay for the Senior Executive Service established under section 5382 of title 5, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of title 5. The compensation of the Commissioners shall be considered, for purposes of section 207(c)(2)(A) of title 18, to be the equivalent of that described under clause (ii) of section 207(c)(2)(A) of title 18. In addition, the Commissioners may receive a bonus in an amount of up to, but not in excess of, 50 percent of the Commissioners’ annual rate of basic pay, based upon an evaluation by the Secretary of Commerce, acting through the Director, of the Commissioners’ performance as defined in an annual performance agreement between the Commissioners and the Secretary. The annual performance agreements shall incorporate measurable organization and individual goals in key operational areas as delineated in an annual performance plan agreed to by the Commissioners and the Secretary. Payment of a bonus under this subparagraph may be made to the Commissioners only to the extent that such payment does not cause the Commissioners’ total aggregate compensation in a calendar year to equal or exceed the amount*

of the salary of the Vice President under section 104 of title 3.

“(C) REMOVAL.—The Commissioners may be removed from office by the Secretary for misconduct or nonsatisfactory performance under the performance agreement described in subparagraph (B), without regard to the provisions of title 5. The Secretary shall provide notification of any such removal to both Houses of Congress.

“(3) OTHER OFFICERS AND EMPLOYEES.—The Director shall—

“(A) appoint such officers, employees (including attorneys), and agents of the Office as the Director considers necessary to carry out the functions of the Office; and

“(B) define the title, authority, and duties of such officers and employees and delegate to them such of the powers vested in the Office as the Director may determine.

The Office shall not be subject to any administratively or statutorily imposed limitation on positions or personnel, and no positions or personnel of the Office shall be taken into account for purposes of applying any such limitation.

“(4) TRAINING OF EXAMINERS.—The Office shall submit to the Congress a proposal to provide an incentive program to retain as employees patent and trademark examiners of the primary examiner grade or higher who are eligible for retirement, for the sole purpose of training patent and trademark examiners.

“(5) NATIONAL SECURITY POSITIONS.—The Director, in consultation with the Director of the Office of Personnel Management, shall maintain a program for identifying national security positions and providing for appropriate security clearances, in order to maintain the secrecy of certain inventions, as described in section 181, and to prevent disclosure of sensitive and strategic information in the interest of national security.

“(c) CONTINUED APPLICABILITY OF TITLE 5.—Officers and employees of the Office shall be subject to the provisions of title 5 relating to Federal employees.

“(d) ADOPTION OF EXISTING LABOR AGREEMENTS.—The Office shall adopt all labor agreements which are in effect, as of the day before the effective date of the Patent and Trademark Office Efficiency Act, with respect to such Office (as then in effect).

“(e) CARRYOVER OF PERSONNEL.—

“(1) FROM PTO.—Effective as of the effective date of the Patent and Trademark Office Efficiency Act, all officers and employees of the Patent and Trademark Office on the day before such effective date shall become officers and employees of the Office, without a break in service.

“(2) OTHER PERSONNEL.—Any individual who, on the day before the effective date of the Patent and Trademark Office Efficiency Act, is an officer or employee of the Department of Commerce (other than an officer or employee under paragraph (1)) shall be transferred to the Office, as necessary to carry out the purposes of this Act, if—

“(A) such individual serves in a position for which a major function is the performance of work reimbursed by

*the Patent and Trademark Office, as determined by the Secretary of Commerce;*

*“(B) such individual serves in a position that performed work in support of the Patent and Trademark Office during at least half of the incumbent’s work time, as determined by the Secretary of Commerce; or*

*“(C) such transfer would be in the interest of the Office, as determined by the Secretary of Commerce in consultation with the Director.*

*Any transfer under this paragraph shall be effective as of the same effective date as referred to in paragraph (1), and shall be made without a break in service.*

*“(f) TRANSITION PROVISIONS.—*

*“(1) INTERIM APPOINTMENT OF DIRECTOR.—On or after the effective date of the Patent and Trademark Office Efficiency Act, the President shall appoint an individual to serve as the Director until the date on which a Director qualifies under subsection (a). The President shall not make more than one such appointment under this subsection.*

*“(2) CONTINUATION IN OFFICE OF CERTAIN OFFICERS.—(A) The individual serving as the Assistant Commissioner for Patents on the day before the effective date of the Patent and Trademark Office Efficiency Act may serve as the Commissioner for Patents until the date on which a Commissioner for Patents is appointed under subsection (b).*

*“(B) The individual serving as the Assistant Commissioner for Trademarks on the day before the effective date of the Patent and Trademark Office Efficiency Act may serve as the Commissioner for Trademarks until the date on which a Commissioner for Trademarks is appointed under subsection (b).”.*

#### **SEC. 4714. PUBLIC ADVISORY COMMITTEES.**

*Chapter 1 of part I of title 35, United States Code, is amended by inserting after section 4 the following:*

#### **“§5. Patent and Trademark Office Public Advisory Committees**

*“(a) ESTABLISHMENT OF PUBLIC ADVISORY COMMITTEES.—*

*“(1) APPOINTMENT.—The United States Patent and Trademark Office shall have a Patent Public Advisory Committee and a Trademark Public Advisory Committee, each of which shall have nine voting members who shall be appointed by the Secretary of Commerce and serve at the pleasure of the Secretary of Commerce. Members of each Public Advisory Committee shall be appointed for a term of 3 years, except that of the members first appointed, three shall be appointed for a term of 1 year, and three shall be appointed for a term of 2 years. In making appointments to each Committee, the Secretary of Commerce shall consider the risk of loss of competitive advantage in international commerce or other harm to United States companies as a result of such appointments.*

*“(2) CHAIR.—The Secretary shall designate a chair of each Advisory Committee, whose term as chair shall be for 3 years.*

*“(3) TIMING OF APPOINTMENTS.—Initial appointments to each Advisory Committee shall be made within 3 months after*

*the effective date of the Patent and Trademark Office Efficiency Act. Vacancies shall be filled within 3 months after they occur.*

*“(b) BASIS FOR APPOINTMENTS.—Members of each Advisory Committee—*

*“(1) shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to trademarks, in the case of the Trademark Public Advisory Committee;*

*“(2) shall include members who represent small and large entity applicants located in the United States in proportion to the number of applications filed by such applicants, but in no case shall members who represent small entity patent applicants, including small business concerns, independent inventors, and nonprofit organizations, constitute less than 25 percent of the members of the Patent Public Advisory Committee, and such members shall include at least one independent inventor; and*

*“(3) shall include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation.*

*In addition to the voting members, each Advisory Committee shall include a representative of each labor organization recognized by the United States Patent and Trademark Office. Such representatives shall be nonvoting members of the Advisory Committee to which they are appointed.*

*“(c) MEETINGS.—Each Advisory Committee shall meet at the call of the chair to consider an agenda set by the chair.*

*“(d) DUTIES.—Each Advisory Committee shall—*

*“(1) review the policies, goals, performance, budget, and user fees of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to Trademarks, in the case of the Trademark Public Advisory Committee, and advise the Director on these matters;*

*“(2) within 60 days after the end of each fiscal year—*

*“(A) prepare an annual report on the matters referred to in paragraph (1);*

*“(B) transmit the report to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and*

*“(C) publish the report in the Official Gazette of the United States Patent and Trademark Office.*

*“(e) COMPENSATION.—Each member of each Advisory Committee shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of that Advisory Committee or otherwise engaged in the business of that Advisory Committee, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5. While away from such member's home or regular place of business such member shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code.*

“(f) **ACCESS TO INFORMATION.**—Members of each Advisory Committee shall be provided access to records and information in the United States Patent and Trademark Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.

“(g) **APPLICABILITY OF CERTAIN ETHICS LAWS.**—Members of each Advisory Committee shall be special Government employees within the meaning of section 202 of title 18.

“(h) **INAPPLICABILITY OF FEDERAL ADVISORY COMMITTEE ACT.**—The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to each Advisory Committee.

“(i) **OPEN MEETINGS.**—The meetings of each Advisory Committee shall be open to the public, except that each Advisory Committee may by majority vote meet in executive session when considering personnel or other confidential information.”.

**SEC. 4715. CONFORMING AMENDMENTS.**

(a) **DUTIES.**—Chapter 1 of title 35, United States Code, is amended by striking section 6.

(b) **REGULATIONS FOR AGENTS AND ATTORNEYS.**—Section 31 of title 35, United States Code, and the item relating to such section in the table of sections for chapter 3 of title 35, United States Code, are repealed.

(c) **SUSPENSION OR EXCLUSION FROM PRACTICE.**—Section 32 of title 35, United States Code, is amended by striking “31” and inserting “2(b)(2)(D)”.

**SEC. 4716. TRADEMARK TRIAL AND APPEAL BOARD.**

Section 17 of the Act of July 5, 1946 (commonly referred to as the “Trademark Act of 1946”) (15 U.S.C. 1067) is amended to read as follows:

“SEC. 17. (a) In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Director shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

“(b) The Trademark Trial and Appeal Board shall include the Director, the Commissioner for Patents, the Commissioner for Trademarks, and administrative trademark judges who are appointed by the Director.”.

**SEC. 4717. BOARD OF PATENT APPEALS AND INTERFERENCES.**

Chapter 1 of title 35, United States Code, is amended—

(1) by striking section 7 and redesignating sections 8 through 14 as sections 7 through 13, respectively; and

(2) by inserting after section 5 the following:

**“§6. Board of Patent Appeals and Interferences**

“(a) **ESTABLISHMENT AND COMPOSITION.**—There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Director.

“(b) *DUTIES.*—The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a). Each appeal and interference shall be heard by at least 3 members of the Board, who shall be designated by the Director. Only the Board of Patent Appeals and Interferences may grant rehearings.”.

**SEC. 4718. ANNUAL REPORT OF DIRECTOR.**

Section 13 of title 35, United States Code, as redesignated by section 4717 of this subtitle, is amended to read as follows:

**“§ 13. Annual report to Congress**

“The Director shall report to the Congress, not later than 180 days after the end of each fiscal year, the moneys received and expended by the Office, the purposes for which the moneys were spent, the quality and quantity of the work of the Office, the nature of training provided to examiners, the evaluation of the Commissioner of Patents and the Commissioner of Trademarks by the Secretary of Commerce, the compensation of the Commissioners, and other information relating to the Office.”.

**SEC. 4719. SUSPENSION OR EXCLUSION FROM PRACTICE.**

Section 32 of title 35, United States Code, is amended by inserting before the last sentence the following: “The Director shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section.”.

**SEC. 4720. PAY OF DIRECTOR AND DEPUTY DIRECTOR.**

(a) *PAY OF DIRECTOR.*—Section 5314 of title 5, United States Code, is amended by striking:

“Assistant Secretary of Commerce and Commissioner of Patents and Trademarks.”.

and inserting:

“Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.”.

(b) *PAY OF DEPUTY DIRECTOR.*—Section 5315 of title 5, United States Code, is amended by adding at the end the following:

“Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office.”.

**CHAPTER 2—EFFECTIVE DATE; TECHNICAL AMENDMENTS**

**SEC. 4731. EFFECTIVE DATE.**

This subtitle and the amendments made by this subtitle shall take effect 4 months after the date of enactment of this Act.

**SEC. 4732. TECHNICAL AND CONFORMING AMENDMENTS.**

(a) *AMENDMENTS TO TITLE 35.*—

(1) The item relating to part I in the table of parts for chapter 35, United States Code, is amended to read as follows:

“I. United States Patent and Trademark Office ..... 1”.



(2) *The heading for part I of title 35, United States Code, is amended to read as follows:*

**“PART I—UNITED STATES PATENT AND  
TRADEMARK OFFICE”.**

(3) *The table of chapters for part I of title 35, United States Code, is amended by amending the item relating to chapter 1 to read as follows:*

**“1. Establishment, Officers and Employees, Functions ..... 1”.**

(4) *The table of sections for chapter 1 of title 35, United States Code, is amended to read as follows:*

**“CHAPTER 1—ESTABLISHMENT, OFFICERS AND EMPLOYEES,  
FUNCTIONS**

“Sec.

“ 1. Establishment.

“ 2. Powers and duties.

“ 3. Officers and employees.

“ 4. Restrictions on officers and employees as to interest in patents.

“ 5. Patent and Trademark Office Public Advisory Committees.

“ 6. Board of Patent Appeals and Interferences.

“ 7. Library.

“ 8. Classification of patents.

“ 9. Certified copies of records.

“10. Publications.

“11. Exchange of copies of patents and applications with foreign countries.

“12. Copies of patents and applications for public libraries.

“13. Annual report to Congress.”.

(5) *Section 41(h) of title 35, United States Code, is amended by striking “Commissioner of Patents and Trademarks” and inserting “Director”.*

(6) *Section 155 of title 35, United States Code, is amended by striking “Commissioner of Patents and Trademarks” and inserting “Director”.*

(7) *Section 155A(c) of title 35, United States Code, is amended by striking “Commissioner of Patents and Trademarks” and inserting “Director”.*

(8) *Section 302 of title 35, United States Code, is amended by striking “Commissioner of Patents” and inserting “Director”.*

(9)(A) *Section 303 of title 35, United States Code, is amended—*

*(i) in the section heading by striking “Commissioner” and inserting “Director”; and*

*(ii) by striking “Commissioner’s” and inserting “Director’s”.*

(B) *The item relating to section 303 in the table of sections for chapter 30 of title 35, United States Code, is amended by striking “Commissioner” and inserting “Director”.*

(10)(A) *Except as provided in subparagraph (B), title 35, United States Code, is amended by striking “Commissioner” each place it appears and inserting “Director”.*

(B) *Chapter 17 of title 35, United States Code, is amended by striking “Commissioner” each place it appears and inserting “Commissioner of Patents”.*

(11) Section 157(d) of title 35, United States Code, is amended by striking “Secretary of Commerce” and inserting “Director”.

(12) Section 202(a) of title 35, United States Code, is amended—

(A) by striking “iv)” and inserting “(iv)”;

(B) by striking the second period after “Department of Energy” at the end of the first sentence.

(b) OTHER PROVISIONS OF LAW.—

(1)(A) Section 45 of the Act of July 5, 1946 (commonly referred to as the “Trademark Act of 1946”; 15 U.S.C. 1127), is amended by striking “The term ‘Commissioner’ means the Commissioner of Patents and Trademarks.” and inserting “The term ‘Director’ means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.”

(B) The Act of July 5, 1946 (commonly referred to as the “Trademark Act of 1946”; 15 U.S.C. 1051 and following), except for section 17, as amended by 4716 of this subtitle, is amended by striking “Commissioner” each place it appears and inserting “Director”.

(C) Sections 8(e) and 9(b) of the Trademark Act of 1946 are each amended by striking “Commissioner” and inserting “Director”.

(2) Section 500(e) of title 5, United States Code, is amended by striking “Patent Office” and inserting “United States Patent and Trademark Office”.

(3) Section 5102(c)(23) of title 5, United States Code, is amended to read as follows:

“(23) administrative patent judges and designated administrative patent judges in the United States Patent and Trademark Office;”.

(4) Section 5316 of title 5, United States Code (5 U.S.C. 5316) is amended by striking “Commissioner of Patents, Department of Commerce.”, “Deputy Commissioner of Patents and Trademarks.”, “Assistant Commissioner for Patents.”, and “Assistant Commissioner for Trademarks.”.

(5) Section 9(p)(1)(B) of the Small Business Act (15 U.S.C. 638(p)(1)(B)) is amended to read as follows:

“(B) the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office; and”.

(6) Section 12 of the Act of February 14, 1903 (15 U.S.C. 1511) is amended—

(A) by striking “(d) Patent and Trademark Office;” and inserting:

“(4) United States Patent and Trademark Office”; and

(B) by redesignating subsections (a), (b), (c), (e), (f), and (g) as paragraphs (1), (2), (3), (5), (6), and (7), respectively and indenting the paragraphs as so redesignated 2 ems to the right.

(7) Section 19 of the Tennessee Valley Authority Act of 1933 (16 U.S.C. 831r) is amended—

(A) by striking “Patent Office of the United States” and inserting “United States Patent and Trademark Office”; and

(B) by striking “Commissioner of Patents” and inserting “Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office”.

(8) Section 182(b)(2)(A) of the Trade Act of 1974 (19 U.S.C. 2242(b)(2)(A)) is amended by striking “Commissioner of Patents and Trademarks” and inserting “Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office”.

(9) Section 302(b)(2)(D) of the Trade Act of 1974 (19 U.S.C. 2412(b)(2)(D)) is amended by striking “Commissioner of Patents and Trademarks” and inserting “Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office”.

(10) The Act of April 12, 1892 (27 Stat. 395; 20 U.S.C. 91) is amended by striking “Patent Office” and inserting “United States Patent and Trademark Office”.

(11) Sections 505(m) and 512(o) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(m) and 360b(o)) are each amended by striking “Patent and Trademark Office of the Department of Commerce” and inserting “United States Patent and Trademark Office”.

(12) Section 702(d) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 372(d)) is amended by striking “Commissioner of Patents” and inserting “Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office” and by striking “Commissioner” and inserting “Director”.

(13) Section 105(e) of the Federal Alcohol Administration Act (27 U.S.C. 205(e)) is amended by striking “United States Patent Office” and inserting “United States Patent and Trademark Office”.

(14) Section 1295(a)(4) of title 28, United States Code, is amended—

(A) in subparagraph (A) by inserting “United States” before “Patent and Trademark”; and

(B) in subparagraph (B) by striking “Commissioner of Patents and Trademarks” and inserting “Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office”.

(15) Chapter 115 of title 28, United States Code, is amended—

(A) in the item relating to section 1744 in the table of sections by striking “Patent Office” and inserting “United States Patent and Trademark Office”;

(B) in section 1744—

(i) by striking “Patent Office” each place it appears in the text and section heading and inserting “United States Patent and Trademark Office”; and

(ii) by striking “Commissioner of Patents” and inserting “Under Secretary of Commerce for Intellectual

*Property and Director of the United States Patent and Trademark Office*"; and

(C) by striking "Commissioner" and inserting "Director".

(16) Section 1745 of title 28, United States Code, is amended by striking "United States Patent Office" and inserting "United States Patent and Trademark Office".

(17) Section 1928 of title 28, United States Code, is amended by striking "Patent Office" and inserting "United States Patent and Trademark Office".

(18) Section 151 of the Atomic Energy Act of 1954 (42 U.S.C. 2181) is amended in subsections c. and d. by striking "Commissioner of Patents" and inserting "Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office".

(19) Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182) is amended by striking "Commissioner of Patents" each place it appears and inserting "Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office".

(20) Section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457) is amended—

(A) in subsection (c) by striking "Commissioner of Patents" and inserting "Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (hereafter in this section referred to as the 'Director')"; and

(B) by striking "Commissioner" each subsequent place it appears and inserting "Director".

(21) Section 12(a) of the Solar Heating and Cooling Demonstration Act of 1974 (42 U.S.C. 5510(a)) is amended by striking "Commissioner of the Patent Office" and inserting "Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office".

(22) Section 1111 of title 44, United States Code, is amended by striking "the Commissioner of Patents,".

(23) Section 1114 of title 44, United States Code, is amended by striking "the Commissioner of Patents,".

(24) Section 1123 of title 44, United States Code, is amended by striking "the Patent Office,".

(25) Sections 1337 and 1338 of title 44, United States Code, and the items relating to those sections in the table of contents for chapter 13 of such title, are repealed.

(26) Section 10(i) of the Trading with the enemy Act (50 U.S.C. App. 10(i)) is amended by striking "Commissioner of Patents" and inserting "Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office".

### **CHAPTER 3—MISCELLANEOUS PROVISIONS**

#### **SEC. 4741. REFERENCES.**

(a) *IN GENERAL.*—Any reference in any other Federal law, Executive order, rule, regulation, or delegation of authority, or any docu-

ment of or pertaining to a department or office from which a function is transferred by this subtitle—

(1) to the head of such department or office is deemed to refer to the head of the department or office to which such function is transferred; or

(2) to such department or office is deemed to refer to the department or office to which such function is transferred.

(b) *SPECIFIC REFERENCES.*—Any reference in any other Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Patent and Trademark Office—

(1) to the Commissioner of Patents and Trademarks is deemed to refer to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office;

(2) to the Assistant Commissioner for Patents is deemed to refer to the Commissioner for Patents; or

(3) to the Assistant Commissioner for Trademarks is deemed to refer to the Commissioner for Trademarks.

**SEC. 4742. EXERCISE OF AUTHORITIES.**

Except as otherwise provided by law, a Federal official to whom a function is transferred by this subtitle may, for purposes of performing the function, exercise all authorities under any other provision of law that were available with respect to the performance of that function to the official responsible for the performance of the function immediately before the effective date of the transfer of the function under this subtitle.

**SEC. 4743. SAVINGS PROVISIONS.**

(a) *LEGAL DOCUMENTS.*—All orders, determinations, rules, regulations, permits, grants, loans, contracts, agreements, certificates, licenses, and privileges—

(1) that have been issued, made, granted, or allowed to become effective by the President, the Secretary of Commerce, any officer or employee of any office transferred by this subtitle, or any other Government official, or by a court of competent jurisdiction, in the performance of any function that is transferred by this subtitle; and

(2) that are in effect on the effective date of such transfer (or become effective after such date pursuant to their terms as in effect on such effective date), shall continue in effect according to their terms until modified, terminated, superseded, set aside, or revoked in accordance with law by the President, any other authorized official, a court of competent jurisdiction, or operation of law.

(b) *PROCEEDINGS.*—This subtitle shall not affect any proceedings or any application for any benefits, service, license, permit, certificate, or financial assistance pending on the effective date of this subtitle before an office transferred by this subtitle, but such proceedings and applications shall be continued. Orders shall be issued in such proceedings, appeals shall be taken therefrom, and payments shall be made pursuant to such orders, as if this subtitle had not been enacted, and orders issued in any such proceeding shall continue in effect until modified, terminated, superseded, or

revoked by a duly authorized official, by a court of competent jurisdiction, or by operation of law. Nothing in this subsection shall be considered to prohibit the discontinuance or modification of any such proceeding under the same terms and conditions and to the same extent that such proceeding could have been discontinued or modified if this subtitle had not been enacted.

(c) *SUITS*.—This subtitle shall not affect suits commenced before the effective date of this subtitle, and in all such suits, proceedings shall be had, appeals taken, and judgments rendered in the same manner and with the same effect as if this subtitle had not been enacted.

(d) *NONABATEMENT OF ACTIONS*.—No suit, action, or other proceeding commenced by or against the Department of Commerce or the Secretary of Commerce, or by or against any individual in the official capacity of such individual as an officer or employee of an office transferred by this subtitle, shall abate by reason of the enactment of this subtitle.

(e) *CONTINUANCE OF SUITS*.—If any Government officer in the official capacity of such officer is party to a suit with respect to a function of the officer, and under this subtitle such function is transferred to any other officer or office, then such suit shall be continued with the other officer or the head of such other office, as applicable, substituted or added as a party.

(f) *ADMINISTRATIVE PROCEDURE AND JUDICIAL REVIEW*.—Except as otherwise provided by this subtitle, any statutory requirements relating to notice, hearings, action upon the record, or administrative or judicial review that apply to any function transferred by this subtitle shall apply to the exercise of such function by the head of the Federal agency, and other officers of the agency, to which such function is transferred by this subtitle.

#### **SEC. 4744. TRANSFER OF ASSETS.**

Except as otherwise provided in this subtitle, so much of the personnel, property, records, and unexpended balances of appropriations, allocations, and other funds employed, used, held, available, or to be made available in connection with a function transferred to an official or agency by this subtitle shall be available to the official or the head of that agency, respectively, at such time or times as the Director of the Office of Management and Budget directs for use in connection with the functions transferred.

#### **SEC. 4745. DELEGATION AND ASSIGNMENT.**

Except as otherwise expressly prohibited by law or otherwise provided in this subtitle, an official to whom functions are transferred under this subtitle (including the head of any office to which functions are transferred under this subtitle) may delegate any of the functions so transferred to such officers and employees of the office of the official as the official may designate, and may authorize successive redelegations of such functions as may be necessary or appropriate. No delegation of functions under this section or under any other provision of this subtitle shall relieve the official to whom a function is transferred under this subtitle of responsibility for the administration of the function.

**SEC. 4746. AUTHORITY OF DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET WITH RESPECT TO FUNCTIONS TRANSFERRED.**

(a) *DETERMINATIONS.*—If necessary, the Director of the Office of Management and Budget shall make any determination of the functions that are transferred under this subtitle.

(b) *INCIDENTAL TRANSFERS.*—The Director of the Office of Management and Budget, at such time or times as the Director shall provide, may make such determinations as may be necessary with regard to the functions transferred by this subtitle, and to make such additional incidental dispositions of personnel, assets, liabilities, grants, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available to, or to be made available in connection with such functions, as may be necessary to carry out the provisions of this subtitle. The Director shall provide for the termination of the affairs of all entities terminated by this subtitle and for such further measures and dispositions as may be necessary to effectuate the purposes of this subtitle.

**SEC. 4747. CERTAIN VESTING OF FUNCTIONS CONSIDERED TRANSFERS.**

For purposes of this subtitle, the vesting of a function in a department or office pursuant to reestablishment of an office shall be considered to be the transfer of the function.

**SEC. 4748. AVAILABILITY OF EXISTING FUNDS.**

Existing appropriations and funds available for the performance of functions, programs, and activities terminated pursuant to this subtitle shall remain available, for the duration of their period of availability, for necessary expenses in connection with the termination and resolution of such functions, programs, and activities, subject to the submission of a plan to the Committees on Appropriations of the House and Senate in accordance with the procedures set forth in section 605 of the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as contained in Public Law 105-277.

**SEC. 4749. DEFINITIONS.**

For purposes of this subtitle—

(1) the term “function” includes any duty, obligation, power, authority, responsibility, right, privilege, activity, or program; and

(2) the term “office” includes any office, administration, agency, bureau, institute, council, unit, organizational entity, or component thereof.

## **Subtitle H—Miscellaneous Patent Provisions**

**SEC. 4801. PROVISIONAL APPLICATIONS.**

(a) *ABANDONMENT.*—Section 111(b)(5) of title 35, United States Code, is amended to read as follows:

“(5) *ABANDONMENT.*—Notwithstanding the absence of a claim, upon timely request and as prescribed by the Director, a

*provisional application may be treated as an application filed under subsection (a). Subject to section 119(e)(3) of this title, if no such request is made, the provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival after such 12-month period.”.*

(b) **TECHNICAL AMENDMENT RELATING TO WEEKENDS AND HOLIDAYS.**—Section 119(e) of title 35, United States Code, is amended by adding at the end the following:

*“(3) If the day that is 12 months after the filing date of a provisional application falls on a Saturday, Sunday, or Federal holiday within the District of Columbia, the period of pendency of the provisional application shall be extended to the next succeeding secular or business day.”.*

(c) **ELIMINATION OF COPENGENCY REQUIREMENT.**—Section 119(e)(2) of title 35, United States Code, is amended by striking “and the provisional application was pending on the filing date of the application for patent under section 111(a) or section 363 of this title”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on the date of enactment of this Act and shall apply to any provisional application filed on or after June 8, 1995, except that the amendments made by subsections (b) and (c) shall have no effect with respect to any patent which is the subject of litigation in an action commenced before such date of enactment.

**SEC. 4802. INTERNATIONAL APPLICATIONS.**

Section 119 of title 35, United States Code, is amended as follows:

(1) In subsection (a), insert “or in a WTO member country,” after “or citizens of the United States,”.

(2) At the end of section 119 add the following new subsections:

*“(f) Applications for plant breeder’s rights filed in a WTO member country (or in a foreign UPOV Contracting Party) shall have the same effect for the purpose of the right of priority under subsections (a) through (c) of this section as applications for patents, subject to the same conditions and requirements of this section as apply to applications for patents.*

*“(g) As used in this section—*

*“(1) the term ‘WTO member country’ has the same meaning as the term is defined in section 104(b)(2) of this title; and*

*“(2) the term ‘UPOV Contracting Party’ means a member of the International Convention for the Protection of New Varieties of Plants.”.*

**SEC. 4803. CERTAIN LIMITATIONS ON DAMAGES FOR PATENT INFRINGEMENT NOT APPLICABLE.**

Section 287(c)(4) of title 35, United States Code, is amended by striking “before the date of enactment of this subsection” and inserting “based on an application the earliest effective filing date of which is prior to September 30, 1996”.



**SEC. 4804. ELECTRONIC FILING AND PUBLICATIONS.**

(a) *PRINTING OF PAPERS FILED.*—Section 22 of title 35, United States Code, is amended by striking “printed or typewritten” and inserting “printed, typewritten, or on an electronic medium”.

(b) *PUBLICATIONS.*—Section 11(a) of title 35, United States Code, is amended by amending the matter preceding paragraph 1 to read as follows:

“(a) The Director may publish in printed, typewritten, or electronic form, the following:”.

(c) *COPIES OF PATENTS FOR PUBLIC LIBRARIES.*—Section 13 of title 35, United States Code, is amended by striking “printed copies of specifications and drawings of patents” and inserting “copies of specifications and drawings of patents in printed or electronic form”.

(d) *MAINTENANCE OF COLLECTIONS.*—

(1) *ELECTRONIC COLLECTIONS.*—Section 41(i)(1) of title 35, United States Code, is amended by striking “paper or microform” and inserting “paper, microform, or electronic”.

(2) *CONTINUATION OF MAINTENANCE.*—The Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office shall not, pursuant to the amendment made by paragraph (1), cease to maintain, for use by the public, paper or microform collections of United States patents, foreign patent documents, and United States trademark registrations, except pursuant to notice and opportunity for public comment and except that the Director shall first submit a report to the Committees on the Judiciary of the Senate and the House of Representatives detailing such plan, including a description of the mechanisms in place to ensure the integrity of such collections and the data contained therein, as well as to ensure prompt public access to the most current available information, and certifying that the implementation of such plan will not negatively impact the public.

**SEC. 4805. STUDY AND REPORT ON BIOLOGICAL DEPOSITS IN SUPPORT OF BIOTECHNOLOGY PATENTS.**

(a) *IN GENERAL.*—Not later than 6 months after the date of enactment of this Act, the Comptroller General of the United States, in consultation with the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, shall conduct a study and submit a report to Congress on the potential risks to the United States biotechnology industry relating to biological deposits in support of biotechnology patents.

(b) *CONTENTS.*—The study conducted under this section shall include—

(1) an examination of the risk of export and the risk of transfers to third parties of biological deposits, and the risks posed by the change to 18-month publication requirements made by this subtitle;

(2) an analysis of comparative legal and regulatory regimes; and

(3) any related recommendations.

(c) *CONSIDERATION OF REPORT.*—In drafting regulations affecting biological deposits (including any modification of title 37, Code of Federal Regulations, section 1.801 et seq.), the United States Pat-

ent and Trademark Office shall consider the recommendations of the study conducted under this section.

**SEC. 4806. PRIOR INVENTION.**

Section 102(g) of title 35, United States Code, is amended to read as follows:

“(g)(1) during the course of an interference conducted under section 135 or section 291, another inventor involved therein establishes, to the extent permitted in section 104, that before such person’s invention thereof the invention was made by such other inventor and not abandoned, suppressed, or concealed, or (2) before such person’s invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it. In determining priority of invention under this subsection, there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.”.

**SEC. 4807. PRIOR ART EXCLUSION FOR CERTAIN COMMONLY ASSIGNED PATENTS.**

(a) **PRIOR ART EXCLUSION.**—Section 103(c) of title 35, United States Code, is amended by striking “subsection (f) or (g)” and inserting “one or more of subsections (e), (f), and (g)”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to any application for patent filed on or after the date of enactment of this Act.

**SEC. 4808. EXCHANGE OF COPIES OF PATENTS WITH FOREIGN COUNTRIES.**

Section 12 of title 35, United States Code, is amended by adding at the end the following: “The Director shall not enter into an agreement to provide such copies of specifications and drawings of United States patents and applications to a foreign country, other than a NAFTA country or a WTO member country, without the express authorization of the Secretary of Commerce. For purposes of this section, the terms ‘NAFTA country’ and ‘WTO member country’ have the meanings given those terms in section 104(b).”.

## **TITLE V—MISCELLANEOUS PROVISIONS**

**SEC. 5001. COMMISSION ON ONLINE CHILD PROTECTION.**

(a) **REFERENCES.**—Wherever in this section an amendment is expressed in terms of an amendment to any provision, the reference shall be considered to be made to such provision of section 1405 of the Child Online Protection Act (47 U.S.C. 231 note).

(b) **MEMBERSHIP.**—Subsection (b) is amended—

(1) by striking paragraph (1) and inserting the following new paragraph:

“(1) **INDUSTRY MEMBERS.**—The Commission shall include 16 members who shall consist of representatives of—

“(A) providers of Internet filtering or blocking services or software;

“(B) Internet access services;

“(C) labeling or ratings services;

“(D) Internet portal or search services;

“(E) domain name registration services;

“(F) academic experts; and

“(G) providers that make content available over the Internet.

Of the members of the Commission by reason of this paragraph, an equal number shall be appointed by the Speaker of the House of Representatives and by the Majority Leader of the Senate. Members of the Commission appointed on or before October 31, 1999, shall remain members.”; and

(2) by adding at the end the following new paragraph:

“(3) PROHIBITION OF PAY.—Members of the Commission shall not receive any pay by reason of their membership on the Commission.”.

(c) EXTENSION OF REPORTING DEADLINE.—The matter in subsection (d) that precedes paragraph (1) is amended by striking “1 year” and inserting “2 years”.

(d) TERMINATION.—Subsection (f) is amended by inserting before the period at the end the following: “or November 30, 2000, whichever occurs earlier”.

(e) FIRST MEETING AND CHAIRPERSON.—Section 1405 is amended—

(1) by striking subsection (e);

(2) by redesignating subsections (f) (as amended by the preceding provisions of this section) and (g) as subsections (l) and (m), respectively;

(3) by redesignating subsections (c) and (d) (as amended by the preceding provisions of this section) as subsections (e) and (f), respectively; and

(4) by inserting after subsection (b) the following new subsections:

“(c) FIRST MEETING.—The Commission shall hold its first meeting not later than March 31, 2000.

“(d) CHAIRPERSON.—The chairperson of the Commission shall be elected by a vote of a majority of the members, which shall take place not later than 30 days after the first meeting of the Commission.”.

(f) RULES OF THE COMMISSION.—Section 1405 is amended by inserting after subsection (f) (as so redesignated by subsection (e)(3) of this section) the following new subsection:

“(g) RULES OF THE COMMISSION.—

“(1) QUORUM.—Nine members of the Commission shall constitute a quorum for conducting the business of the Commission.

“(2) MEETINGS.—Any meetings held by the Commission shall be duly noticed at least 14 days in advance and shall be open to the public.

“(3) OPPORTUNITIES TO TESTIFY.—The Commission shall provide opportunities for representatives of the general public to testify.

“(4) ADDITIONAL RULES.—The Commission may adopt other rules as necessary to carry out this section.”.

**SEC. 5002. PRIVACY PROTECTION FOR DONORS TO PUBLIC BROADCASTING ENTITIES.**

(a) **AMENDMENT.**—Section 396(k) of the Communications Act of 1934 (47 U.S.C. 396(k)) is amended by adding at the end the following new paragraph:

“(12) Funds may not be distributed under this subsection to any public broadcasting entity that directly or indirectly—

“(A) rents contributor or donor names (or other personally identifiable information) to or from, or exchanges such names or information with, any Federal, State, or local candidate, political party, or political committee; or

“(B) discloses contributor or donor names, or other personally identifiable information, to any nonaffiliated third party unless—

“(i) such entity clearly and conspicuously discloses to the contributor or donor that such information may be disclosed to such third party;

“(ii) the contributor or donor is given the opportunity, before the time that such information is initially disclosed, to direct that such information not be disclosed to such third party; and

“(iii) the contributor or donor is given an explanation of how the contributor or donor may exercise that non-disclosure option.”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to funds distributed on or after 6 months after the date of enactment of this Act.

**SEC. 5003. COMPLETION OF BIENNIAL REGULATORY REVIEW.**

Within 180 days after the date of enactment of this Act, the Federal Communications Commission shall complete the first biennial review required by section 202(h) of the Telecommunications Act of 1996 (Public Law 104–104; 110 Stat. 111).

**SEC. 5004. PUBLIC BROADCASTING ENTITIES.**

(a) **CIVIL REMITTANCE OF DAMAGES.**—Section 1203(c)(5)(B) of title 17, United States Code, is amended to read as follows:

“(B) **NONPROFIT LIBRARY, ARCHIVES, EDUCATIONAL INSTITUTIONS, OR PUBLIC BROADCASTING ENTITIES.**—

“(i) **DEFINITION.**—In this subparagraph, the term ‘public broadcasting entity’ has the meaning given such term under section 118(g).

“(ii) **IN GENERAL.**—In the case of a nonprofit library, archives, educational institution, or public broadcasting entity, the court shall remit damages in any case in which the library, archives, educational institution, or public broadcasting entity sustains the burden of proving, and the court finds, that the library, archives, educational institution, or public broadcasting entity was not aware and had no reason to believe that its acts constituted a violation.”.

(b) **CRIMINAL OFFENSES AND PENALTIES.**—Section 1204(b) of title 17, United States Code, is amended to read as follows:

“(b) **LIMITATION FOR NONPROFIT LIBRARY, ARCHIVES, EDUCATIONAL INSTITUTION, OR PUBLIC BROADCASTING ENTITY.**—Subsection (a) shall not apply to a nonprofit library, archives, edu-

cational institution, or public broadcasting entity (as defined under section 118(g)).”.

**SEC. 5005. TECHNICAL AMENDMENTS RELATING TO VESSEL HULL DESIGN PROTECTION.**

*(a) IN GENERAL.—*

*(1) Section 504(a) of the Digital Millennium Copyright Act (Public Law 105–304) is amended to read as follows:*

*“(a) IN GENERAL.—Not later than November 1, 2003, the Register of Copyrights and the Commissioner of Patents and Trademarks shall submit to the Committees on the Judiciary of the Senate and the House of Representatives a joint report evaluating the effect of the amendments made by this title.”.*

*(2) Section 505 of the Digital Millennium Copyright Act is amended by striking “and shall remain in effect” and all that follows through the end of the section and inserting a period.*

*(3) Section 1301(b)(3) of title 17, United States Code, is amended to read as follows:*

*“(3) A ‘vessel’ is a craft—*

*“(A) that is designed and capable of independently steering a course on or through water through its own means of propulsion; and*

*“(B) that is designed and capable of carrying and transporting one or more passengers.”.*

*(4) Section 1313(c) of title 17, United States Code, is amended by adding at the end the following: “Costs of the cancellation procedure under this subsection shall be borne by the nonprevailing party or parties, and the Administrator shall have the authority to assess and collect such costs.”*

*(b) TARIFF ACT OF 1930.—Section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) is amended—*

*(1) in subsection (a)—*

*(A) in paragraph (1)—*

*(i) in subparagraph (A), by striking “and (D)” and inserting “(D), and (E)”;* and

*(ii) by adding at the end the following:*

*“(E) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consigner, of an article that constitutes infringement of the exclusive rights in a design protected under chapter 13 of title 17, United States Code.”; and*

*(B) in paragraphs (2) and (3), by striking “or mask work” and inserting “mask work, or design”; and*

*(2) in subsection (l), by striking “or mask work” each place it appears and inserting “mask work, or design”.*

**SEC. 5006. INFORMAL RULEMAKING OF COPYRIGHT DETERMINATION.**

*Section 1201(a)(1)(C) of title 17, United States Code, is amended in the first sentence by striking “on the record”.*

**SEC. 5007. SERVICE OF PROCESS FOR SURETY CORPORATIONS.**

*Section 9306 of title 31, United States Code, is amended—*

*(1) in subsection (a) by striking all beginning with “designates a person by written power of attorney” through the end of such subsection and inserting the following: “has a resident*

agent for service of process for that district. The resident agent—

“(1) may be an official of the State, the District of Columbia, the territory or possession in which the court sits who is authorized or appointed under the law of the State, District, territory or possession to receive service of process on the corporation; or

“(2) may be an individual who resides in the jurisdiction of the district court for the district in which a surety bond is to be provided and who is appointed by the corporation as provided in subsection (b)”; and

(2) in subsection (b) by striking “The” and inserting “If the surety corporation meets the requirement of subsection (a) by appointing an individual under subsection (a)(2), the”.

**SEC. 5008. LOW-POWER TELEVISION.**

(a) **SHORT TITLE.**—This section may be cited as the “Community Broadcasters Protection Act of 1999”.

(b) **FINDINGS.**—Congress finds the following:

(1) Since the creation of low-power television licenses by the Federal Communications Commission, a small number of license holders have operated their stations in a manner beneficial to the public good providing broadcasting to their communities that would not otherwise be available.

(2) These low-power broadcasters have operated their stations in a manner consistent with the programming objectives and hours of operation of full-power broadcasters providing worthwhile services to their respective communities while under severe license limitations compared to their full-power counterparts.

(3) License limitations, particularly the temporary nature of the license, have blocked many low-power broadcasters from having access to capital, and have severely hampered their ability to continue to provide quality broadcasting, programming, or improvements.

(4) The passage of the Telecommunications Act of 1996 has added to the uncertainty of the future status of these stations by the lack of specific provisions regarding the permanency of their licenses, or their treatment during the transition to high definition, digital television.

(5) It is in the public interest to promote diversity in television programming such as that currently provided by low-power television stations to foreign-language communities.

(c) **PRESERVATION OF LOW-POWER COMMUNITY TELEVISION BROADCASTING.**—Section 336 of the Communications Act of 1934 (47 U.S.C. 336) is amended—

(1) by redesignating subsections (f) and (g) as subsections (g) and (h), respectively; and

(2) by inserting after subsection (e) the following new subsection:

“(f) **PRESERVATION OF LOW-POWER COMMUNITY TELEVISION BROADCASTING.**—

“(1) **CREATION OF CLASS A LICENSES.**—

“(A) **RULEMAKING REQUIRED.**—Within 120 days after the date of enactment of the Community Broadcasters Pro-

tection Act of 1999, the Commission shall prescribe regulations to establish a class A television license to be available to licensees of qualifying low-power television stations. Such regulations shall provide that—

“(i) the license shall be subject to the same license terms and renewal standards as the licenses for full-power television stations except as provided in this subsection; and

“(ii) each such class A licensee shall be accorded primary status as a television broadcaster as long as the station continues to meet the requirements for a qualifying low-power station in paragraph (2).

“(B) NOTICE TO AND CERTIFICATION BY LICENSEES.—Within 30 days after the date of enactment of the Community Broadcasters Protection Act of 1999, the Commission shall send a notice to the licensees of all low-power television licenses that describes the requirements for class A designation. Within 60 days after such date of enactment, licensees intending to seek class A designation shall submit to the Commission a certification of eligibility based on the qualification requirements of this subsection. Absent a material deficiency, the Commission shall grant certification of eligibility to apply for class A status.

“(C) APPLICATION FOR AND AWARD OF LICENSES.—Consistent with the requirements set forth in paragraph (2)(A) of this subsection, a licensee may submit an application for class A designation under this paragraph within 30 days after final regulations are adopted under subparagraph (A) of this paragraph. Except as provided in paragraphs (6) and (7), the Commission shall, within 30 days after receipt of an application of a licensee of a qualifying low-power television station that is acceptable for filing, award such a class A television station license to such licensee.

“(D) RESOLUTION OF TECHNICAL PROBLEMS.—The Commission shall act to preserve the service areas of low-power television licensees pending the final resolution of a class A application. If, after granting certification of eligibility for a class A license, technical problems arise requiring an engineering solution to a full-power station’s allotted parameters or channel assignment in the digital television Table of Allotments, the Commission shall make such modifications as necessary—

“(i) to ensure replication of the full-power digital television applicant’s service area, as provided for in sections 73.622 and 73.623 of the Commission’s regulations (47 C.F.R. 73.622, 73.623); and

“(ii) to permit maximization of a full power digital television applicant’s service area consistent with such sections 73.622 and 73.623;

if such applicant has filed an application for maximization or a notice of its intent to seek such maximization by December 31, 1999, and filed a bona fide application for maximization by May 1, 2000. Any such applicant shall

*comply with all applicable Commission rules regarding the construction of digital television facilities.*

*“(E) CHANGE APPLICATIONS.—If a station that is awarded a construction permit to maximize or significantly enhance its digital television service area, later files a change application to reduce its digital television service area, the protected contour of that station shall be reduced in accordance with such change modification.*

*“(2) QUALIFYING LOW-POWER TELEVISION STATIONS.—For purposes of this subsection, a station is a qualifying low-power television station if—*

*“(A)(i) during the 90 days preceding the date of enactment of the Community Broadcasters Protection Act of 1999—*

*“(I) such station broadcast a minimum of 18 hours per day;*

*“(II) such station broadcast an average of at least 3 hours per week of programming that was produced within the market area served by such station, or the market area served by a group of commonly controlled low-power stations that carry common local programming produced within the market area served by such group; and*

*“(III) such station was in compliance with the Commission’s requirements applicable to low-power television stations; and*

*“(ii) from and after the date of its application for a class A license, the station is in compliance with the Commission’s operating rules for full-power television stations; or*

*“(B) the Commission determines that the public interest, convenience, and necessity would be served by treating the station as a qualifying low-power television station for purposes of this section, or for other reasons determined by the Commission.*

*“(3) COMMON OWNERSHIP.—No low-power television station authorized as of the date of enactment of the Community Broadcasters Protection Act of 1999 shall be disqualified for a class A license based on common ownership with any other medium of mass communication.*

*“(4) ISSUANCE OF LICENSES FOR ADVANCED TELEVISION SERVICES TO TELEVISION TRANSLATOR STATIONS AND QUALIFYING LOW-POWER TELEVISION STATIONS.—The Commission is not required to issue any additional license for advanced television services to the licensee of a class A television station under this subsection, or to any licensee of any television translator station, but shall accept a license application for such services proposing facilities that will not cause interference to the service area of any other broadcast facility applied for, protected, permitted, or authorized on the date of filing of the advanced television application. Such new license or the original license of the applicant shall be forfeited after the end of the digital television service transition period, as determined by the Commission. A licensee of a low-power television station or tele-*



vision translator station may, at the option of licensee, elect to convert to the provision of advanced television services on its analog channel, but shall not be required to convert to digital operation until the end of such transition period.

“(5) NO PREEMPTION OF SECTION 337.—Nothing in this subsection preempts or otherwise affects section 337 of this Act.

“(6) INTERIM QUALIFICATION.—

“(A) STATIONS OPERATING WITHIN CERTAIN BANDWIDTH.—The Commission may not grant a class A license to a low-power television station for operation between 698 and 806 megahertz, but the Commission shall provide to low-power television stations assigned to and temporarily operating in that bandwidth the opportunity to meet the qualification requirements for a class A license. If such a qualified applicant for a class A license is assigned a channel within the core spectrum (as such term is defined in MM Docket 87–286, February 17, 1998), the Commission shall issue a class A license simultaneously with the assignment of such channel.

“(B) CERTAIN CHANNELS OFF-LIMITS.—The Commission may not grant under this subsection a class A license to a low-power television station operating on a channel within the core spectrum that includes any of the 175 additional channels referenced in paragraph 45 of its February 23, 1998, Memorandum Opinion and Order on Reconsideration of the Sixth Report and Order (MM Docket No. 87–268). Within 18 months after the date of enactment of the Community Broadcasters Protection Act of 1999, the Commission shall identify by channel, location, and applicable technical parameters those 175 channels.

“(7) NO INTERFERENCE REQUIREMENT.—The Commission may not grant a class A license, nor approve a modification of a class A license, unless the applicant or licensee shows that the class A station for which the license or modification is sought will not cause—

“(A) interference within—

“(i) the predicted Grade B contour (as of the date of enactment of the Community Broadcasters Protection Act of 1999, or November 1, 1999, whichever is later, or as proposed in a change application filed on or before such date) of any television station transmitting in analog format; or

“(ii)(I) the digital television service areas provided in the DTV Table of Allotments; (II) the areas protected in the Commission’s digital television regulations (47 C.F.R. 73.622(e) and (f)); (III) the digital television service areas of stations subsequently granted by the Commission prior to the filing of a class A application; and (IV) stations seeking to maximize power under the Commission’s rules, if such station has complied with the notification requirements in paragraph (1)(D);

“(B) interference within the protected contour of any low-power television station or low-power television translator station that—

*“(i) was licensed prior to the date on which the application for a class A license, or for the modification of such a license, was filed;*

*“(ii) was authorized by construction permit prior to such date; or*

*“(iii) had a pending application that was submitted prior to such date;*

*“(C) interference within the protected contour of 80 miles from the geographic center of the areas listed in section 22.625(b)(1) or 90.303 of the Commission’s regulations (47 C.F.R. 22.625(b)(1) and 90.303) for frequencies in—*

*“(i) the 470–512 megahertz band identified in section 22.621 or 90.303 of such regulations; or*

*“(ii) the 482–488 megahertz band in New York.*

*“(8) PRIORITY FOR DISPLACED LOW-POWER STATIONS.—Low-power stations that are displaced by an application filed under this section shall have priority over other low-power stations in the assignment of available channels.”.*

And the Senate agree to the same.

From the Committee on Commerce, for consideration of the House bill and the Senate amendment, and modifications committed to conference:

TOM BLILEY,  
BILLY TAUZIN,  
MICHAEL G. OXLEY,  
JOHN D. DINGELL,  
EDWARD J. MARKEY,

Provided that Mr. BOUCHER is appointed in lieu of Mr. MARKEY for consideration of secs. 712(b)(1), 712(b)(2), and 712(c)(1) of the Communications Act of 1934 as added by sec. 104 of the House bill.

RICK BOUCHER,

From the Committee on the Judiciary, for consideration of the House bill and the Senate amendment, and modifications committed to conference:

HENRY HYDE,  
HOWARD COBLE,  
BOB GOODLATTE,  
JOHN CONYERS,  
HOWARD L. BERMAN,

*Managers on the Part of the House.*

From the Committee on the Judiciary:

ORRIN HATCH,  
STROM THURMOND,  
MIKE DEWINE,  
PATRICK LEAHY,  
HERB KOHL,

From the Committee on Commerce, Science, and Transportation:

TED STEVENS,  
FRITZ HOLLINGS,

*Managers on the Part of the Senate.*

## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1554), to amend the provisions of title 17, United States Code, and the Communications Act of 1934, relating to copyright licensing and carriage of broadcast signals by satellite, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

### *Section 1. Short title.*

This Act may be cited as the “Intellectual Property and Communications Omnibus Reform Act of 1999.”

## TITLE I—SATELLITE HOME VIEWER IMPROVEMENT ACT OF 1999

When Congress passed the Satellite Home Viewer Act in 1988, few Americans were familiar with satellite television. They typically resided in rural areas of the country where the only means of receiving television programming was through use of a large, backyard C-band satellite dish. Congress recognized the importance of providing these people with access to broadcast programming, and created a compulsory copyright license in the Satellite Home Viewer Act that enabled satellite carriers to easily license the copyrights to the broadcast programming that they retransmitted to their subscribers.

The 1988 Act fostered a boom in the satellite television industry. Coupled with the development of high-powered satellite service, or DSS, which delivers programming to a satellite dish as small as 18 inches in diameter, the satellite industry now serves homes nationwide with a wide range of high quality programming. Satellite is no longer primarily a rural service, for it offers an attractive alternative to other providers of multichannel video programming; in particular, cable television. Because satellite can provide direct competition with the cable industry, it is in the public

interest to ensure that satellite operates under a copyright framework that permits it to be an effective competitor.

The compulsory copyright license created by the 1988 Act was limited to a five year period to enable Congress to consider its effectiveness and renew it where necessary. The license was renewed in 1994 for an additional five years, and amendments made that were intended to increase the enforcement of the network territorial restrictions of the compulsory license. Two-year transitional provisions were created to enable local network broadcasters to challenge satellite subscribers' receipt of satellite network service where the local network broadcaster had reason to believe that these subscribers received an adequate off-the-air signal from the broadcaster. The transitional provisions were minimally effective and caused much consumer confusion and anger regarding receipt of television network stations.

The satellite license is slated to expire at the end of this year, requiring Congress to again consider the copyright licensing regime for satellite retransmissions of over-the-air television broadcast stations. In passing this legislation, the Conference Committee was guided by several principles. First, the Conference Committee believes that promotion of competition in the marketplace for delivery of multichannel video programming is an effective policy to reduce costs to consumers. To that end, it is important that the satellite industry be afforded a statutory scheme for licensing television broadcast programming similar to that of the cable industry. At the same time, the practical differences between the two industries must be recognized and accounted for.

Second, the Conference Committee reasserts the importance of protecting and fostering the system of television networks as they relate to the concept of localism. It is well recognized that television broadcast stations provide valuable programming tailored to local needs, such as news, weather, special announcements and information related to local activities. To that end, the Committee has structured the copyright licensing regime for satellite to encourage and promote retransmissions by satellite of local television broadcast stations to subscribers who reside in the local markets of those stations.

Third, perhaps most importantly, the Conference Committee is aware that in creating compulsory licenses, it is acting in derogation of the exclusive property rights granted by the Copyright Act to copyright holders, and that it therefore needs to act as narrowly as possible to minimize the effects of the government's intrusion on the broader market in which the affected property rights and industries operate. In this context, the broadcast television market has developed in such a way that copyright licensing practices in this area take into account the national network structure, which grants exclusive territorial rights to programming in a local market to local stations either directly or through affiliation agreements. The licenses granted in this legislation attempt to hew as closely to those arrangements as possible. For example, these arrangements are mirrored in the section 122 "local-to-local" license, which grants satellite carriers the right to retransmit local stations within the station's local market, and does not require a separate copyright payment because the works have already been licensed and

paid for with respect to viewers in those local markets. By contrast, allowing the importation of distant or out-of-market network stations in derogation of the local stations' exclusive right—bought and paid for in market-negotiated arrangements—to show the works in question undermines those market arrangements. Therefore, the specific goal of the 119 license, which is to allow for a life-line network television service to those homes beyond the reach of their local television stations, must be met by only allowing distant network service to those homes which cannot receive the local network television stations. Hence, the “unserved household” limitation that has been in the license since its inception. The Committee is mindful and respectful of the interrelationship between the communications policy of “localism” outlined above and property rights considerations in copyright law, and seeks a proper balance between the two.

Finally, although the legislation promotes satellite retransmissions of local stations, the Conference Committee recognizes the continued need to monitor the effects of distant signal importation by satellite. To that end, the compulsory license for retransmission of distant signals is extended for a period of five years, to afford Congress the opportunity to evaluate the effectiveness and continuing need for that license at the end of the five-year period.

*Sec. 1001. Short title*

This title may be cited as the “Satellite Home Viewer Improvement Act.”

*Sec. 1002. Limitations on exclusive rights; secondary transmissions by satellite carriers within local markets*

The House and the Senate provisions were in most respects highly similar. The conference substitute generally follows the House approach, with the differences described here.

Section 1002 of this Act creates a new statutory license, with no sunset provision, as a new section 122 of the Copyright Act of 1976. The new license authorizes the retransmission of television broadcast stations by satellite carriers to subscribers located within the local markets of those stations.

Creation of a new statutory license for retransmission of local signals is necessary because the current section 119 license is limited to the retransmission of distance signals by satellite. The section 122 license allows satellite carriers for the first time to provide their subscribers with the television signals they want most: their local stations. A carrier may retransmit the signal of a network station (or superstation) to all subscribers who reside within the local market of that station, without regard to whether the subscriber resides in an “unserved household.” The term “local market” is defined in Section 119(j)(2), and generally refers to a station’s Designated Market Area as defined by Nielsen.

Because the section 122 license is permanent, subscribers may obtain their local television stations without fear that their local broadcast service may be turned off at a future date. In addition, satellite carriers may deliver local stations to commercial establishments as well as homes, as the cable industry does under its license. These amendments create parity and enhanced competition

between the satellite and cable industries in the provision of local television broadcast stations.

For a satellite carrier to be eligible for this license, this Act, following the House approach, provides both in new section 122(a) and in new section 122(d) that a carrier may use the new local-to-local license only if it is in full compliance with all applicable rules and regulations of the Federal Communications Commission, including any requirements that the Commission may adopt by regulation concerning carriage of stations or programming exclusivity. These provisions are modeled on similar provisions in section 111, the terrestrial compulsory license. Failure to fully comply with Commission rules with respect to retransmission of one or more stations in the local market precludes the carrier from making use of the section 122 license. Put another way, the statutory license overrides the normal copyright scheme only to the extent that carriers strictly comply with the limits Congress has put on that license.

Because terrestrial systems, such as cable, as a general rule do not pay any copyright royalty for local retransmissions of broadcast stations, the section 122 license does not require payment of any copyright royalty by satellite carriers for transmissions made in compliance with the requirements of section 122. By contrast, the section 119 statutory license for distant signals does require payment of royalties. In addition, the section 122 statutory license contains no “unserved household” limitation, while the section 119 license does contain that limitation.

Satellite carriers are liable for copyright infringement, and subject to the full remedies of the Copyright Act, if they violate one or more of the following requirements of the section 122 license. First, satellite carriers may not in any way willfully alter the programming contained on a local broadcast station.

Second, satellite carriers may not use the section 122 license to retransmit a television broadcast station to a subscriber located outside the local market of the station. Retransmission of a station to a subscriber located outside the station’s local market is covered by section 119, and is permitted only when all conditions of that license are satisfied. Accordingly, satellite carriers are required to provide local broadcasters with accurate lists of the street addresses of their local-to-local subscribers so that broadcasters may verify that satellite carriers are making proper use of the license. The subscriber information supplied to broadcasters is for verification purposes only, and may not be used by broadcasters for any other reason. Any knowing provision of false information by a satellite carrier would, under section 122(d), bar use of the Section 122 license by the carrier engaging in such practices. The section 122 license contains remedial provisions parallel to those of Section 119, including a “pattern or practice” provision that requires termination of the Section 122 statutory license as to a particular satellite carrier if it engages in certain abuses of the license.

Under this provision, just as in the statutory licenses codified in sections 111 and 119, a violation may be proven by showing willful activity, or simple delivery of the secondary transmission over a certain period of time. In addition to termination of service on a nationwide or local or regional basis, statutory damages are avail-

able up to \$250,000 for each 6-month period during which the pattern or practice of violations was carried out. Satellite carriers have the burden of proving that they are not improperly making use of the section 122 license to serve subscribers outside the local markets of the television broadcast stations they are providing. The penalties created under this section parallel those under Section 119, and are to deter satellite carriers from providing signals to subscribers in violation of the licenses.

The section 122 license is limited in geographic scope to service to locations in the United States, including any commonwealth, territory or possession of the United States. In addition, section 122(j) makes clear that local retransmission of television broadcast stations to subscribers is governed solely by the section 122 license, and that no provision of the section 111 cable compulsory license should be interpreted to allow satellite carriers to make local retransmissions of television broadcast stations under that license. Likewise, no provision of the section 119 license (or any other law) should be interpreted as authorizing local-to-local retransmissions. As with all statutory licenses, these explicit limitations are consistent with the general rule that, because statutory licenses are in derogation of the exclusive rights granted under the Copyright Act, they should be interpreted narrowly.

Section 1002(a) of this Act contains new standing provisions. Adopting the approach of the House bill, section 122(f)(1) of the Copyright Act is parallel to section 119(e), and ensures that local stations, in addition to any other parties that qualify under other standing provisions of the Act, will have the ability to sue for violations of section 122. New section 122(f)(2) of the Copyright Act enables a local television station that is not being carried by a satellite carrier in violation of the license to file a copyright infringement lawsuit in federal court to enforce its rights.

*Sec. 1003. Extension of effect of amendments to section 119 of title 17, United States Code*

As in both the House bill and the Senate amendment, this Act extends the section 119 satellite statutory license for a period of five years by changing the expiration date of the legislation from December 31, 1999, to December 31, 2004. The procedural and remedial provisions of section 119, which have already been interpreted by the courts, are being extended without change. Should the section 119 license be allowed to expire in 2004, it shall do so at midnight on December 31, 2004, so that the license will cover the entire second accounting period of 2004.

The advent of digital terrestrial broadcasting will necessitate additional review and reform of the distant signal statutory license. And responsibility to oversee the development of the nascent local station satellite service may also require for review of the distant signal statutory license in the future. For each of these reasons, this Act establishes a period for review in 5 years.

Although the section 119 regime is largely being extended in its current form, certain sections of the Act may have a near-term effect on pending copyright infringement lawsuits brought by broadcasters against satellite carriers. These changes are prospective only; Congress does not intend to change the legality of any

conduct that occurred prior to the date of enactment. Congress does intend, however, to benefit consumers where possible and consistent with existing copyright law and principles.

This Act attempts to strike a balance among a variety of public policy goals. While increasing the number of potential subscribers to distant network signals, this Act clarifies that satellite carriers may carry up to, but no more than, two stations affiliated with the same network. The original purpose of the Satellite Home Viewer Act was to ensure that all Americans could receive network programming and other television services provided they could not receive those services over-the-air or in any other way. This bill reflects the desire of the Conference to meet this requirement and consumers' expectations to receive the traditional level of satellite service that has built up over the years, while avoiding an erosion of the programming market affected by the statutory licenses.

*Sec. 1004. Computation of royalty fees for satellite carriers*

Like both the House bill and the Senate amendment, this Act reduces the royalty fees currently paid by satellite carriers for the retransmission of network and superstations by 45 percent and 30 percent, respectively. These are reductions of the 27-cent royalty fees made effective by the Librarian of Congress on January 1, 1998. The reductions take effect on July 1, 1999, which is the beginning of the second accounting period for 1999, and apply to all accounting periods for the five-year extension of the section 119 license. The Committee has drafted this provision such that, if the section 119 license is renewed after 2004, the 45 percent and 30 percent reductions of the 27-cent fee will remain in effect, unless altered by legislative amendment.

In addition, section 119(c) of title 17, United States Code, is amended to clarify that in royalty distribution proceedings conducted under section 802 of the Copyright Act, the Public Broadcasting Service may act as agent for all public television copyright claimants and all Public Broadcasting Service member stations.

*Sec. 1005. Distant signal eligibility for consumers*

The Senate bill contained provisions retaining the existing Grade B intensity standard in the definition of "unserved household." The House agreed to the Senate provisions with amendments, which extend the "unserved household" definition of section 119 of title 17 intact in certain respects and amend it in other respects. Consistent with the approach of the Senate amendment, the central feature of the existing definition of "unserved household"—inability to receive, through use of a conventional outdoor rooftop receiving antenna, a signal of Grade B intensity from a primary network station—remains intact. The legislation directs the FCC, however, to examine the definition of "Grade B intensity", reflecting the dBu levels long set by the Federal Communications Commission in 47 C.F.R. § 73.683(a), and issue a rulemaking within 6 months after enactment to evaluate the standard and, if appropriate, make recommendations to Congress about how to modify the analog standard, and make a further recommendation about what an appropriate standard would be for digital signals. In this fashion, the Congress will have the best input and recommenda-



tions from the Commission, allowing the Commission wide latitude in its inquiry and recommendations, but reserve for itself the final decision-making authority over the scope of the copyright licenses in question, in light of all relevant factors.

The amended definition of “unserved household” makes other consumer-friendly changes. It will eliminate the requirement that a cable subscriber wait 90 days to be eligible for satellite delivery of distant network signals. After enactment, cable subscribers will be eligible to receive distant network signals by satellite, upon choosing to do so, if they satisfy the other requirements of section 119.

In addition, this Act adds three new categories to the definition of “unserved household” in section 119(d)(10): (a) certain subscribers to network programming who are not predicted to receive a signal of Grade A intensity from any station of the relevant network, (b) operators of recreational vehicles and commercial trucks who have complied with certain documentation requirements, and (c) certain C-band subscribers to network programming. This Act also confirms in new section 119(d)(10)(B) what has long been understood by the parties and accepted by the courts, namely that a subscriber may receive distant network service if all network stations affiliated with the relevant network that are predicted to serve that subscriber give their written consent.

Section 105(a)(2) of the bill creates a new section 119(a)(2)(B)(i) of the Copyright Act to prohibit a satellite carrier from delivering more than two distant TV stations affiliated with a single network in a single day to a particular customer. This clarifies that a satellite carrier provides a signal of a television station throughout the broadcast day, rather than switching between stations throughout a day to pick the best programming among different signals.

Section 1005(a)(2) of this Act creates a new section 119(a)(2)(B)(ii)(I) of the Copyright Act to confirm that courts should rely on the FCC’s ILLR model to presumptively determine whether a household is capable of receiving a signal of Grade B intensity. The conferees understand that the parties to copyright infringement litigation under the Satellite Home Viewer Act have agreed on detailed procedures for implementing the current version of ILLR, and nothing in this Act requires any change in those procedures. In the future, when the FCC amends the ILLR model to make it more accurate pursuant to section 339(c)(3) of the Communications Act of 1934, the amended model should be used in place of the current version of ILLR. The new language also confirms in new section 119(a)(2)(B)(ii)(II) that the ultimate determination of eligibility to receive network signals shall be a signal intensity test pursuant to 47 C.F.R. §73.686(d), as reflected in new section 339(c)(5) of the Communications Act of 1934. Again, the conferees understand that existing Satellite Home Viewer Act court orders already incorporate this FCC-approved measurement method, and nothing in this Act requires any change in such orders. Such a signal intensity test may be conducted by any party to resolve a customer’s eligibility in litigation under section 119.

Section 1005(a)(2) of this Act creates a new section 119(a)(2)(B)(iii) of the Copyright Act to permit continued delivery by means of C-band transmissions of network stations to C-band

dish owners who received signals of the pertinent network on October 31, 1999, or were recently required to have such service terminated pursuant to court orders or settlements under section 119. This provision does not authorize satellite delivery of network stations to such persons by any technology other than C-band.

Section 1005(b) also adds a new provision (E) to section 119(a)(5). The purpose of this provision is to allow certain long-standing superstations to continue to be delivered to satellite customers without regard to the “unserved household” limitation, even if the station now technically qualifies as a “network station” under the 15-hour-per-week definition of the Act. This exception will cease to apply if such a station in the future becomes affiliated with one of the four networks (ABC, CBS, Fox, and NBC) that qualified as networks as of January 1, 1995.

Section 1005(c) of this Act adds a new section 119(e) of the Copyright Act. This provision contains a moratorium on terminations of network stations to certain otherwise ineligible recent subscribers to network programming whose service has been (or soon would have been) terminated and allows them to continue to be eligible for distant signal services. The subscribers affected are those predicted by the current version of the ILLR model to receive a signal of less than Grade A intensity from any network station of the relevant network defined in section 73.683(a) of Commission regulations (47 C.F.R. 73.683(a)) as in effect January 1, 1999. As the statutory language reflects, recent court orders and settlements between the satellite and broadcasting industries have required (or will in the near future require) significant numbers of terminations of network stations to ineligible subscribers in this category. Although the conferees strongly condemn lawbreaking by satellite carriers, and intend for satellite carriers to be subject to all other available legal remedies for any infringements in which the carriers have engaged, the conferees have concluded that the public interest will be served by the grandfathering of this limited category of subscribers whose service would otherwise be terminated.

The decision by the conferees to direct this limited grandfathering should not be understood as condoning unlawful conduct by satellite carriers, but rather reflects the concern of the conference for those subscribers who would otherwise be punished for the actions of the satellite carriers. Note that in the previous 18 months, court decisions have required the termination of some distant network signals to some subscribers. However, the Conferees are aware that in some cases satellite carriers terminated distant network service that was not subject to the original lawsuit. The Conferees intend that affected subscribers remain eligible for such service.

The words “shall remain eligible” in section 119(e) refer to eligibility to receive stations affiliated with the same network from the same satellite carrier through use of the same transmission technology at the same location; in other words, grandfathered status is not transferable to a different carrier or a different type of dish or at a new address. The provisions of new section 119(e) are incorporated by reference in the definition of “unserved household” as new section 119(d)(10)(C).

Section 1005(d) of this Act creates a new section 119(a)(11), which contains provisions governing delivery of network stations to recreational vehicles and commercial trucks. This provision is, in turn, incorporated in the definition of “unserved household” in new section 119(d)(10)(D). The purpose of these amendments is to allow the operators of recreational vehicles and commercial trucks to use satellite dishes permanently attached to those vehicles to receive, on television sets located inside those vehicles, distant network signals pursuant to section 119. To prevent abuse of this provision, the exception for recreational vehicles and commercial trucks is limited to persons who have strictly complied with the documentation requirements set forth in section 119(a)(11). Among other things, the exception will only become available as to a particular recreational vehicle or commercial truck after the satellite carrier has provided all affected networks with all documentation set forth in section 119(a). The exception will apply only for reception in that particular recreational vehicle or truck, and does not authorize any delivery of network stations to any fixed dwelling.

Section 1005(e) of this Act adds a new proviso to the definition of “satellite carrier” to exclude from that definition the provision of any “digital online communications service.” As the Copyright Office concluded in its 1997 Review of the Copyright Licensing Regimes Covering Retransmission of Broadcast Signals, no existing statutory license (whether in section 111, section 119, or otherwise) authorizes retransmission of television broadcast signals via the Internet or any other online service. The extension of any statutory license for television programming to online transmissions would raise profound policy considerations, including, most notably, the apparent impossibility of limiting such transmissions to “unserved households.” In any event, the committee’s intent is that, neither section 111, section 119, nor section 122 creates any authorization for third parties to disseminate television programming via online delivery of any kind, and the amendment to the definition of “satellite carrier” simply confirms existing law on that point.

*Sec. 1006. Public Broadcasting Service satellite feed*

The conference agreement follows the Senate bill with an amendment that applies the network copyright royalty rate to the Public Broadcasting Service the satellite feed. The conference agreement grants satellite carriers a section 119 compulsory license to retransmit a national satellite feed distributed and designated by PBS. The license would apply to educational and informational programming to which PBS currently holds broadcast rights. The license, which would extend to all households in the United States, would sunset on January 1, 2002, the date when local-to-local must-carry obligations become effective. Under the conference agreement, PBS will designate the national satellite feed for purposes of this section.

*Sec. 1007. Application of Federal Communications Commission regulations*

The section 119 license is amended to clarify that satellite carriers must comply with all rules, regulations, and authorizations of the Federal Communications Commission in order to obtain the

benefits of the section 119 license. As provided in the House bill, this would include any programming exclusivity provisions or carriage requirements that the Commission may adopt. Violations of such rules, regulations or authorizations would render a carrier ineligible for the copyright statutory license with respect to that retransmission.

*Sec. 1008. Rules for satellite carriers retransmitting television broadcast signals*

The Senate agrees to the House bill provisions regarding carriage of television broadcast signals, with certain amendments, as discussed below. Section 108 creates new sections 338 and 339 of the Communications Act of 1934. Section 338 addresses carriage of local television signals, while section 339 addresses distant television signals.

New section 338 requires satellite carriers, by January 1, 2002, to carry upon request all local broadcast stations' signals in local markets in which the satellite carriers carry at least one signal pursuant to section 122 of title 17, United States Code. The conference report added the cross-reference to section 122 to the House provision to indicate the relationship between the benefits of the statutory license and the carriage requirements imposed by this Act. Thus, the conference report provides that, as of January 1, 2002, royalty-free copyright licenses for satellite carriers to retransmit broadcast signals to viewers in the broadcasters' service areas will be available only on a market-by-market basis.

The procedural provisions applicable to section 338 (concerning costs, avoidance of duplication, channel positioning, compensation for carriage, and complaints by broadcast stations) are generally parallel to those applicable to cable systems. Within one year after enactment, the Federal Communications Commission is to issue implementing regulations which are to impose obligations comparable to those imposed on cable systems under paragraphs (3) and (4) of section 614(b) and paragraphs (1) and (2) of section 615(g), such as the requirement to carry a station's entire signal without additions or deletions. The obligation to carry local stations on contiguous channels is illustrative of the general requirement to ensure that satellite carriers position local stations in a way that is convenient and practically accessible for consumers. By directing the FCC to promulgate these must-carry rules, the conferees do not take any position regarding the application of must-carry rules to carriage of digital television signals by either cable or satellite systems.

To make use of the local license, satellite carriers must provide the local broadcast station signal as part of their satellite service, in a manner consistent with paragraphs (b), (c), (d), and (e), FCC regulations, and retransmission consent requirements. Until January 1, 2002, satellite carriers are granted a royalty-free copyright license to retransmit broadcast signals on a station-by-station basis, consistent with retransmission consent requirements. The transition period is intended to provide the satellite industry with a transitional period to begin providing local-into-local satellite service to communities throughout the country.

The conferees believe that the must-carry provisions of this Act neither implicate nor violate the First Amendment. Rather than requiring carriage of stations in the manner of cable's mandated duty, this Act allows a satellite carrier to choose whether to incur the must-carry obligation in a particular market in exchange for the benefits of the local statutory license. It does not deprive any programmers of potential access to carriage by satellite carriers. Satellite carriers remain free to carry any programming for which they are able to acquire the property rights. The provisions of this Act allow carriers an easier and more inexpensive way to obtain the right to use the property of copyright holders when they retransmit signals from all of a market's broadcast stations to subscribers in that market. The choice whether to retransmit those signals is made by carriers, not by the Congress. The proposed licenses are a matter of legislative grace, in the nature of subsidies to satellite carriers, and reviewable under the rational basis standard.<sup>1</sup>

In addition, the conferees are confident that the proposed license provisions would pass constitutional muster even if subjected to the *O'Brien* standard applied to the cable must-carry requirement.<sup>2</sup> The proposed provisions are intended to preserve free television for those not served by satellite or cable systems and to promote widespread dissemination of information from a multiplicity of sources. The Supreme Court has found both to be substantial interests, unrelated to the suppression of free expression.<sup>3</sup> Providing the proposed license on a market-by-market basis furthers both goals by preventing satellite carriers from choosing to carry only certain stations and effectively preventing many other local broadcasters from reaching potential viewers in their service areas. The Conference Committee is concerned that, absent must-carry obligations, satellite carriers would carry the major network affiliates and few other signals. Non-carried stations would face the same loss of viewership Congress previously found with respect to cable noncarriage.<sup>4</sup>

The proposed licenses place satellite carrier in a comparable position to cable systems, competing for the same customers. Applying a must-carry rule in markets which satellite carriers choose to serve benefits consumers and enhances competition with cable by allowing consumers the same range of choice in local programming they receive through cable service. The conferees expect that, by January 1, 2002, satellite carriers' market share will have increased and that the Congress' interest in maintaining free over-the-air television will be undermined if local broadcasters are prevented from reaching viewers by either cable or satellite distribution systems. The Congress' preference for must-carry obligations has already been proven effective, as attested by the appearance of several emerging networks, which often serve underserved market segments. There are no narrower alternatives that would achieve

<sup>1</sup> See *Rust v. Sullivan*, 500 U.S. 173 (1991) (grants); *Indopco, Inc. v. Commissioner*, 503 U.S. 79, 84 (1992) (tax benefits). The First Amendment requires only that Congress not aim at "the suppression of dangerous ideas." *NEA v. Finley*, 118 S. Ct. 2168, 2178-79 (1998).

<sup>2</sup> See *United States v. O'Brien*, 391 U.S. 367 (1968).

<sup>3</sup> See *Turner Broadcasting Sys., Inc. v. FCC*, 512 U.S. 622, 663 (1994).

<sup>4</sup> See, e.g., H.R. Rep. No. 102-628, p. 51 (1992); S. Rep. No. 102-92, p. 62 (1991); see also Feb. 24 Hearing (Al DeVaney).

the Congress' goals. Although the conferees expect that subscribers who receive no broadcast signals at all from their satellite service may install antennas or subscribe to cable service in addition to satellite service, the Conference Committee is less sanguine that subscribers who receive network signals and hundreds of other programming choices from their satellite carrier will undertake such trouble and expense to obtain over-the-air signals from independent broadcast stations. National feeds would also be counterproductive because they siphon potential viewers from local over-the-air affiliates. In sum, the Conference Committee finds that trading the benefits of the copyright license for the must carry requirement is a fair and reasonable way of helping viewers have access to all local programming while benefitting satellite carriers and their customers.

Section 338(c) contains a limited exception to the general must-carry requirements, stating that a satellite carrier need not carry two local affiliates of the same network that substantially duplicate each others' programming, unless the duplicating stations are licensed to communities in different states. The latter provisions address unique and limited cases, including WMUR (Manchester, New Hampshire)/WCVB (Boston, Massachusetts) and WPTZ (Plattsburg, New York)/WNNE (White River Junction, Vermont), in which mandatory carriage of both duplicating local stations upon request assures that satellite subscribers will not be precluded from receiving the network affiliate that is licensed to the state in which they reside.

Because of unique technical challenges on satellite technology and constraints on the use of satellite spectrum, satellite carriers may initially be limited in their ability to deliver must carry signals into multiple markets. New compression technologies, such as video streaming, may help overcome these barriers however, and, if deployed, could enable satellite carriers to deliver must-carry signals into many more markets than they could otherwise. Accordingly, the conferees urge the FCC, pursuant to its obligations under section 338, or in any other related proceedings, to not prohibit satellite carriers from using reasonable compression, reformatting, or similar technologies to meet their carriage obligations, consistent with existing authority.

New section 339 of the Communications Act contains provisions concerning carriage of distant television stations by satellite carriers. Section 339(a)(1) limits satellite carriers to providing a subscriber with no more than two stations affiliated with a given television network from outside the local market. In addition, a satellite carrier that provides two distant signals to eligible households may also provide the local television signals pursuant to section 122 of title 17 if the subscriber offers local-to-local service in the subscriber's market. This provision furthers the congressional policy of localism and diversity of broadcast programming, which provides locally-relevant news, weather, and information, but also allows consumers in unserved households to enjoy network programming obtained via distant signals. Under new section 339(a)(2), which is based on the Senate amendment, the knowing and willful provision of distant television signals in violation of these restrictions is subject to a forfeiture penalty under section

503 of the Communications Act of \$50,000 per violation or for each day of a continuing violation.

New section 339(b)(1)(A) requires the Commission to commence within 45 days of enactment, and complete within one year after the date of enactment, a rulemaking to develop regulations to apply network nonduplication, syndicated exclusivity and sports blackout rules to the transmission of nationally distributed superstations by satellite carriers. New section 339(b)(1)(B) requires the Commission to promulgate regulations on the same schedule with regard to the application of sports blackout rules to network stations. These regulations under subparagraph (B) are to be imposed “to the extent technically feasible and not economically prohibitive” with respect to the affected parties. The burden of showing that conforming to rules similar to cable would be “economically prohibitive” is a heavy one. It would entail a very serious economic threat to the health of the carrier. Without that showing, the rules should be as similar as possible to that applicable to cable services.

Section 339(c) of the Communications Act of 1934 addresses the three distinct areas discussed by the Commission in its Report & Order in Docket No. 98–201: (i) the definition of “Grade B intensity,” which is the substantive standard for determining eligibility to receive distant network stations by satellite, (ii) prediction of whether a signal of Grade B intensity from a particular station is present at a particular household, and (iii) measurement of whether a signal of Grade B intensity from a particular station is present at a particular household. Section 339(c) addresses each of these topics.

New section 339(c) addresses evaluation and possible recommendations for modification by the Commission of the definition of Grade B intensity, which is incorporated into the definition of “unserved household” in section 119 of the Copyright Act. Under section 339(c), the Commission is to complete a rulemaking within 1 year after enactment to evaluate, and if appropriate to recommend modifications to the Grade B intensity standard for analog signals set forth in 47 C.F.R. § 73.683(a), for purposes of determining eligibility for distant signal satellite service. In addition, the Commission is to recommend a signal standard for digital signals to prepare Congress to update the statutory license for digital television broadcasting. The Committee intends that this report would reflect the FCC’s best recommendations in light of all relevant considerations, and be based on whatever factors and information the Commission deems relevant to determining whether the signal intensity standard should be modified and in what way. As discussed above, the two-part process allows the Commission to recommend modifications leaving to Congress the decision-making power on modifications of the copyright licenses at issue.

Section 339(c)(3) addresses requests to local television stations by consumers for waivers of the eligibility requirements under section 119 of title 17, United States Code. If a satellite carrier is barred from delivering distant network signals to a particular customer because the ILLR model predicts the customer to be served by one or more television stations affiliated with the relevant network, the consumer may submit to those stations, through his or her satellite carrier, a written request for a waiver. The statutory

phrase “station asserting that the retransmission is prohibited” refers to a station that is predicted by the ILLR model to serve the household. Each such station must accept or reject the waiver request within 30 days after receiving the request from the satellite carrier. If a relevant network station grants the requested waiver, or fails to act on the waiver within 30 days, the viewer shall be deemed unserved with respect to the local network station in question.

Section 339(c)(4) addresses the ILLR predictive model developed by the Commission in Docket No. 98–201. The provision requires the Commission to attempt to increase its accuracy further by taking into account not only terrain, as the ILLR model does now, but also land cover variations such as buildings and vegetation. If the Commission discovers other practical ways to improve the accuracy of the ILLR model still further, it shall implement those methods as well. The linchpin of whether particular proposed refinements to the ILLR model result in greater accuracy is whether the revised model’s predictions are closer to the results of actual field testing in terms of predicting whether households are served by a local affiliate of the relevant network.

The ILLR model of predicting subscribers’ eligibility will be of particular use in rural areas. To make the ILLR more accurate and more useful to this group of Americans, the Conference Committee believes the Commission should be particularly careful to ensure that the ILLR is accurate in areas that use star routes, postal routes, or other addressing systems that may not indicate clearly the location of the actual dwelling of a potential subscriber. The Commission should to ensure the model accurately predicts the signal strength at the viewers’ actual location.

New section 339(c)(5) addresses the third area discussed in the Commission’s Report & Order in Docket No. 98–201, namely signal intensity testing. This provision permits satellite carriers and broadcasters to carry out signal intensity measurements, using the procedures set forth by the Commission in 47 C.F.R. § 73.686(d), to determine whether particular households are unserved. Unless the parties otherwise agree, any such tests shall be conducted on a “loser pays” basis, with the network station bearing the costs of tests showing the household to be unserved, and the satellite carrier bearing the costs of tests showing the household to be served. If the satellite carrier and station is unable to agree on a qualified individual to perform the test, the Commission is to designate an independent and neutral entity by rule. The Commission is to promulgate rules that avoid any undue burdens being imposed on any party.

#### *Sec. 1009. Retransmission consent*

Section 1009 amends the provisions of section 325 of the Communications Act governing retransmission consent. As revised, section 325(b)(1) bars multichannel video programming distributors from retransmitting the signals of television broadcast stations, or any part thereof, without the express authority of the originating station. Section 325(b)(2) contains several exceptions to this general prohibition, including noncommercial stations, certain superstations, and, until the end of 2004, retransmission of not more



than two distant signals by satellite carriers to unserved households outside of the local market of the retransmitted stations, and (E) for six months to the retransmission of local stations pursuant to the statutory license in section 122 of the title 17.

Section 1009 also amends section 325(b) of the Communications Act to require the Commission to issue regulations concerning the exercise by television broadcast stations of the right to grant retransmission consent. The regulations would, until January 1, 2006, prohibit a television broadcast station from entering into an exclusive retransmission consent agreement with a multichannel video programming distributor or refusing to negotiate in good faith regarding retransmission consent agreements. A television station may generally offer different retransmission consent terms or conditions, including price terms, to different distributors. The FCC may determine that such different terms represent a failure to negotiate in good faith only if they are not based on competitive marketplace considerations.

Section 1009 of the bill adds a new subsection (e) to section 325 of the Communications Act. New subsection 325(e) creates a set of expedited enforcement procedures for the alleged retransmission of a television broadcast station in its own local market without the station's consent. The purpose of these expedited procedures is to ensure that delays in obtaining relief from violations do not make the right to retransmission consent an empty one. The new provision requires 45-day processing of local-to-local retransmission consent complaints at the Commission, followed by expedited enforcement of any Commission orders in the United States District Court for the Eastern District of Virginia. In addition, a television broadcast station that has been retransmitted in its local market without its consent will be entitled to statutory damages of \$25,000 per violation in an action in federal district court. Such damages will be awarded only if the television broadcast station agrees to contribute any statutory damage award above \$1,000 to the United States Treasury for public purposes. The expedited enforcement provision contains a sunset which prevents the filing of any complaint with the Commission or any action in federal district court to enforce any Commission order under this section after December 31, 2001. The conferees believe that these procedural provisions, which provide ample due process protections while ensuring speedy enforcement, will ensure that retransmission consent will be respected by all parties and promote a smoothly functioning marketplace.

#### *Sec. 1010. Severability*

Section 1010 of the Act provides that if any provision of section 325(b) of the Communications Act as amended by this Act is declared unconstitutional, the remaining provisions of that section will stand.

#### *Sec. 1011. Technical amendments*

Section 1011 of this Act makes technical and conforming amendments to sections 101, 111, 119, 501, and 510 of the Copyright Act. Section 1011(e) makes a technical and clarifying change to the definition of a "work made for hire" in section 101 of the

Copyright Act. Sound recordings have been registered in the Copyright Office as works made for hire since being protected in their own right. This clarifying amendment shall not be deemed to imply that any sound recording or any other work would not otherwise qualify as a work made for hire in the absence of the amendment made by this subsection.

*Sec. 1012. Effective dates*

Under section 1012 of this Act, sections 1001, 1003, 1005, and 1007 through 1011 shall be effective on the date of enactment. The amendments made by sections 1002, 1004, and 1006 shall be effective as of July 1, 1999.

## TITLE II—RURAL LOCAL TELEVISION SIGNALS

The Conference Committee agrees that it is very important that rural Americans receive the benefits of this Act along with urban residents. There are concerns that without this title, many rural Americans would not receive local broadcast signals.

Conferees were advised that major satellite carriers intended to provide local broadcast TV stations via satellite only in the largest markets rather than in more rural areas. These satellite providers have stated that it is not economically feasible to provide such service in rural areas at the present time. Many rural areas of the United States are not served by broadcast television or cable service.

Title II of this Act authorizes the Department of Agriculture, in consultation with OMB, the Secretary of Treasury, and the FCC, and with the certification of the National Telecommunications and Information Administration, to guarantee loans not exceeding \$1.25 billion for providing local broadcast TV signals in rural areas. In addition, providers can offer other services, such as data service, should excess capacity permit. No single loan can exceed \$625 million to any one provider and the rest of the loans may not exceed \$100 million face value.

No loan shall be guaranteed unless: 1) approved in advance by an appropriations Act; 2) USDA consults with OMB, NTIA, and with a public accounting firm; 3) USDA has security that is “adequate” to protect the government’s interests; 4) USDA can reasonably expect repayment “using an appropriate combination of credit risk premiums and collateral offered by the applicant to protect the Federal Government;” and, 5) the borrower has “insurance sufficient to protect the interests of the Federal Government.”

The provisions are technology neutral in that the borrower can use any delivery mechanism to provide local TV that otherwise meets the requirements of this title.

The language of Title II is similar to the Railroad Rehabilitation and Improvement Financing Act which provided up to \$3.5 billion in federal loan guarantees to help shortline railroads serve rural America. The underwriting criteria for the USDA loan guarantee—such as cash flow levels and appropriate collateral—will be developed in consultation with OMB and a public accounting firm and are modeled after the Railroad Act language.

*Sec. 2001. Short title*

This title may be referred to as the “Rural Local Broadcast Signal Act.”

*Sec. 2002. Loan guarantees*

Subject to appropriations Acts, the Secretary of Agriculture is authorized to establish a program of loan guarantees to fund projects which finance the acquisition, improvement, enhancement, deployment, launch, or rehabilitation of the means by which local television broadcast signals will be delivered to areas not receiving such signals over commercial for-profit direct-to-home satellite distribution systems.

No single guaranteed loan can exceed \$625 million to any one provider of local TV stations and none of the remaining loans may exceed \$100 million in face value. Strict requirements for insurance, collateral, assurances of repayments to the Secretary, perfected interests of the Secretary, liens on assets, and strong security provisions are set forth in the law. All of these provisions are designed to protect the interests of the taxpayers.

In developing underwriting standards relating to the issuance of loan guarantees, appropriate collateral and cash flow levels, the Secretary is required to consult with OMB and with a public accounting firm. In addition, the Secretary may accept on behalf of an applicant a commitment from a non-Federal source to fund in whole or in part the credit risk premiums with respect to the loan.

*Sec. 2003. Administration of loan guarantees*

In deciding which loan guarantees to approve, the Secretary, to the maximum extent practicable shall give priority to projects which serve the most unserved and underserved rural markets, taking into account such factors as feasibility, population, terrain, prevailing market conditions, and projected costs to consumers. These applicants for priority projects shall agree to performance schedules which if missed make the borrower potentially subject to stiff penalties. Detailed subrogation, disposition of property, default, breach of agreement, attachment, and audit provisions are designed to protect the interests of the taxpayers.

The Secretary may require an affiliate of the borrower to indemnify the Government for any losses it incurs as a result of a judgment against the borrower, and breach of the borrower’s obligations, or any violation of the provisions of the Act.

The sunset clause provides that the Secretary may not approve a loan guarantee under this title after December 31, 2006.

*Sec. 2004. Retransmission of local television broadcast stations*

Borrowers shall have the same copyright authority and other rights to transmit the signals of local television broadcast stations as provided in this title and shall carry the signals of local stations without charge.

*Sec. 2005. Local television service in unserved and underserved markets*

To encourage the FCC to approve needed licenses (or other authorizations to use spectrum) to provide local TV service in rural

areas, the Commission is required to make determinations regarding needed licenses within one year of enactment.

However, the FCC shall ensure that no license or authorization provided under this section will cause “harmful interference” to the primary users of the spectrum or to public safety use. Subparagraph (2), states that the Commission shall not license under subsection (a) any facility that causes harmful interference to existing primary users of spectrum or to public safety use. The Commission typically categorizes a licensed service as primary or secondary. Under Commission rules, a secondary service cannot be authorized to operate in the same band as a primary user of that band unless the proposed secondary user conclusively demonstrates that the proposed secondary use will not cause harmful interference to the primary service. The Commission is to define “harmful interference” pursuant to the definition at 47 C.F.R. section 2.1 and in accordance with Commission rules and policies.

For purposes of section 2005(b)(3) the FCC may consider a compression, reformatting or other technology to be unreasonable if the technology is incompatible with other applicable FCC regulation or policy under the Communications Act of 1934, as amended.

The Commission also may not restrict any entity granted a license or other authorization under this section, except as otherwise specified, from using any reasonable compression, reformatting, or other technology.

#### *Sec. 2006. Definitions*

Section 2006 defines terms used in the title such as “loan guarantees,” “discount rate,” “loan guarantee,” “modification,” and “borrower.”

### TITLE III—TRADEMARK CYBERPIRACY PREVENTION

#### *Sec. 3001. Short title; references*

This section provides that the Act may be cited as the “Anticybersquatting Consumer Protection Act” and that any references within the bill to the Trademark Act of 1946 shall be a reference to the Act entitled “An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes,” approved July 5, 1946 (15 U.S.C. 1051 et seq.), also commonly referred to as the Lanham Act.

#### *Sec. 3002. Cyberpiracy prevention*

##### *Subsection (a). In general*

This subsection amends the Trademark Act to provide an explicit trademark remedy for cybersquatting under a new section 43(d). Under paragraph (1)(A) of the new section 43(d), actionable conduct would include the registration, trafficking in, or use of a domain name that is identical or confusingly similar to, or dilutive of, the mark of another, including a personal name that is protected as a mark under section 43 of the Lanham Act, provided that the mark was distinctive (i.e., enjoyed trademark status) at the time the domain name was registered, or in the case of trademark dilution, was famous at the time the domain name was reg-

istered. The bill is carefully and narrowly tailored, however, to extend only to cases where the plaintiff can demonstrate that the defendant registered, trafficked in, or used the offending domain name with bad-faith intent to profit from the goodwill of a mark belonging to someone else. Thus, the bill does not extend to innocent domain name registrations by those who are unaware of another's use of the name, or even to someone who is aware of the trademark status of the name but registers a domain name containing the mark for any reason other than with bad faith intent to profit from the goodwill associated with that mark.

The phrase "including a personal name which is protected as a mark under this section" addresses situations in which a person's name is protected under section 43 of the Lanham Act and is used as a domain name. The Lanham Act prohibits the use of false designations of origin and false or misleading representations. Protection under section 43 of the Lanham Act has been applied by the courts to personal names which function as marks, such as service marks, when such marks are infringed. Infringement may occur when the endorsement of products or services in interstate commerce is falsely implied through the use of a personal name, or otherwise, without regard to the goods or services of the parties. This protection also applies to domain names on the Internet, where falsely implied endorsements and other types of infringement can cause greater harm to the owner and confusion to a consumer in a shorter amount of time than is the case with traditional media. The protection offered by section 43 to a personal name which functions as a mark, as applied to domain names, is subject to the same fair use and first amendment protections as have been applied traditionally under trademark law, and is not intended to expand or limit any rights to publicity recognized by States under State law.

Paragraph (1)(B)(i) of the new section 43(d) sets forth a number of nonexclusive, nonexhaustive factors to assist a court in determining whether the required bad-faith element exists in any given case. These factors are designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc. The bill suggests a total of nine factors a court may wish to consider. The first four suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of a mark, and the next four suggest circumstances that may tend to indicate that such bad-faith intent exists. The last factor may suggest either bad-faith or an absence thereof depending on the circumstances.

First, under paragraph (1)(B)(i)(I), a court may consider whether the domain name registrant has trademark or any other intellectual property rights in the name. This factor recognizes, as does trademark law in general, that there may be concurring uses of the same name that are noninfringing, such as the use of the "Delta" mark for both air travel and sink faucets. Similarly, the registration of the domain name "deltaforce.com" by a movie studio would not tend to indicate a bad faith intent on the part of the registrant to trade on Delta Airlines' or Delta Faucets' trademarks.

Second, under paragraph (1)(B)(i)(II), a court may consider the extent to which the domain name is the same as the registrant's own legal name or a nickname by which that person is commonly identified. This factor recognizes, again as does the concept of fair use in trademark law, that a person should be able to be identified by their own name, whether in their business or on a web site. Similarly, a person may bear a legitimate nickname that is identical or similar to a well-known trademark, such as in the well-publicized case of the parents who registered the domain name "pokey.org" for their young son who goes by that name, and these individuals should not be deterred by this bill from using their name online. This factor is not intended to suggest that domain name registrants may evade the application of this act by merely adopting Exxon, Ford, or other well-known marks as their nicknames. It merely provides a court with the appropriate discretion to determine whether or not the fact that a person bears a nickname similar to a mark at issue is an indication of an absence of bad-faith on the part of the registrant.

Third, under paragraph (1)(B)(i)(III), a court may consider the domain name registrant's prior use, if any, of the domain name in connection with the bona fide offering of goods or services. Again, this factor recognizes that the legitimate use of the domain name in online commerce may be a good indicator of the intent of the person registering that name. Where the person has used the domain name in commerce without creating a likelihood of confusion as to the source or origin of the goods or services and has not otherwise attempted to use the name in order to profit from the goodwill of the trademark owner's name, a court may look to this as an indication of the absence of bad faith on the part of the registrant.

Fourth, under paragraph (1)(B)(i)(IV), a court may consider the person's bona fide noncommercial or fair use of the mark in a web site that is accessible under the domain name at issue. This factor is intended to balance the interests of trademark owners with the interests of those who would make lawful noncommercial or fair uses of others' marks online, such as in comparative advertising, comment, criticism, parody, news reporting, etc. Under the bill, the mere fact that the domain name is used for purposes of comparative advertising, comment, criticism, parody, news reporting, etc., would not alone establish a lack of bad-faith intent. The fact that a person uses a mark in a site in such a lawful manner may be an appropriate indication that the person's registration or use of the domain name lacked the required element of bad-faith. This factor is not intended to create a loophole that otherwise might swallow the bill, however, by allowing a domain name registrant to evade application of the Act by merely putting up a noninfringing site under an infringing domain name. For example, in the well known case of *Panavision Int'l v. Toepfen*, 141 F.3d 1316 (9th Cir. 1998), a well known cybersquatter had registered a host of domain names mirroring famous trademarks, including names for Panavision, Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and more than 100 other marks, and had attempted to sell them to the mark owners for amounts in the range of \$10,000 to \$15,000 each. His use of the "panavision.com" and "panaflex.com" domain names was seemingly more innocuous, however, as they

served as addresses for sites that merely displayed pictures of Pana Illinois and the word “Hello” respectively. This bill would not allow a person to evade the holding of that case—which found that Mr. Toeppen had made a commercial use of the Panavision marks and that such uses were, in fact, diluting under the Federal Trademark Dilution Act—merely by posting noninfringing uses of the trademark on a site accessible under the offending domain name, as Mr. Toeppen did. Similarly, the bill does not affect existing trademark law to the extent it has addressed the interplay between First Amendment protections and the rights of trademark owners. Rather, the bill gives courts the flexibility to weigh appropriate factors in determining whether the name was registered or used in bad faith, and it recognizes that one such factor may be the use the domain name registrant makes of the mark.

Fifth, under paragraph (1)(B)(i)(V), a court may consider whether, in registering or using the domain name, the registrant intended to divert consumers away from the trademark owner’s website to a website that could harm the goodwill of the mark, either for purposes of commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site. This factor recognizes that one of the main reasons cybersquatters use other people’s trademarks is to divert Internet users to their own sites by creating confusion as to the source, sponsorship, affiliation, or endorsement of the site. This is done for a number of reasons, including to pass off inferior goods under the name of a well-known mark holder, to defraud consumers into providing personally identifiable information, such as credit card numbers, to attract “eyeballs” to sites that price online advertising according to the number of “hits” the site receives, or even just to harm the value of the mark. Under this provision, a court may give appropriate weight to evidence that a domain name registrant intended to confuse or deceive the public in this manner when making a determination of bad-faith intent.

Sixth, under paragraph (1)(B)(i)(VI), a court may consider a domain name registrant’s offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain, where the registrant has not used, and did not have any intent to use, the domain name in the bona fide offering of any goods or services. A court may also consider a person’s prior conduct indicating a pattern of such conduct. This factor is consistent with the court cases, like the *Panavision* case mentioned above, where courts have found a defendant’s offer to sell the domain name to the legitimate mark owner as being indicative of the defendant’s intent to trade on the value of a trademark owner’s marks by engaging in the business of registering those marks and selling them to the rightful trademark owners. It does not suggest that a court should consider the mere offer to sell a domain name to a mark owner or the failure to use a name in the bona fide offering of goods or services as sufficient to indicate bad faith. Indeed, there are cases in which a person registers a name in anticipation of a business venture that simply never pans out. And someone who has a legitimate registration of a domain name that mirrors someone else’s domain name, such as a trademark owner that is

a lawful concurrent user of that name with another trademark owner, may, in fact, wish to sell that name to the other trademark owner. This bill does not imply that these facts are an indication of bad-faith. It merely provides a court with the necessary discretion to recognize the evidence of bad-faith when it is present. In practice, the offer to sell domain names for exorbitant amounts to the rightful mark owner has been one of the most common threads in abusive domain name registrations. Finally, by using the financial gain standard, this paragraph allows a court to examine the motives of the seller.

Seventh, under paragraph (1)(B)(i)(VII), a court may consider the registrant's intentional provision of material and misleading false contact information in an application for the domain name registration, the person's intentional failure to maintain accurate contact information, and the person's prior conduct indicating a pattern of such conduct. Falsification of contact information with the intent to evade identification and service of process by trademark owners is also a common thread in cases of cybersquatting. This factor recognizes that fact, while still recognizing that there may be circumstances in which the provision of false information may be due to other factors, such as mistake or, as some have suggested in the case of political dissidents, for purposes of anonymity. This bill balances those factors by limiting consideration to the person's contact information, and even then requiring that the provision of false information be material and misleading. As with the other factors, this factor is nonexclusive and a court is called upon to make a determination based on the facts presented whether or not the provision of false information does, in fact, indicate bad-faith.

Eight, under paragraph (1)(B)(i)(VIII), a court may consider the domain name registrant's acquisition of multiple domain names which the person knows are identical or confusingly similar to, or dilutive of, others' marks. This factor recognizes the increasingly common cybersquatting practice known as "warehousing", in which a cybersquatter registers multiple domain names—sometimes hundreds, even thousands—that mirror the trademarks of others. By sitting on these marks and not making the first move to offer to sell them to the mark owner, these cybersquatters have been largely successful in evading the case law developed under the Federal Trademark Dilution Act. This bill does not suggest that the mere registration of multiple domain names is an indication of bad faith, but it allows a court to weigh the fact that a person has registered multiple domain names that infringe or dilute the trademarks of others as part of its consideration of whether the requisite bad-faith intent exists.

Lastly, under paragraph (1)(B)(i)(IX), a court may consider the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of section 43 of the Trademark Act of 1946. The more distinctive or famous a mark has become, the more likely the owner of that mark is deserving of the relief available under this act. At the same time, the fact that a mark is not well-known may also suggest a lack of bad-faith.



Paragraph (1)(B)(ii) underscores the bad-faith requirement by making clear that bad-faith shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

Paragraph (1)(C) makes clear that in any civil action brought under the new section 43(d), a court may order the forfeiture, cancellation, or transfer of a domain name to the owner of the mark.

Paragraph (1)(D) clarifies that a prohibited “use” of a domain name under the bill applies only to a use by the domain name registrant or that registrant’s authorized licensee.

Paragraph (1)(E) defines what means to “traffic in” a domain name. Under this Act, “traffics in” refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

Paragraph (2)(A) provides for in rem jurisdiction, which allows a mark owner to seek the forfeiture, cancellation, or transfer of an infringing domain name by filing an in rem action against the name itself, where the mark owner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so, or where the mark owner is otherwise unable to obtain in personam jurisdiction over such person. As indicated above, a significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner. This bill will alleviate this difficulty, while protecting the notions of fair play and substantial justice, by enabling a mark owner to seek an injunction against the infringing property in those cases where, after due diligence, a mark owner is unable to proceed against the domain name registrant because the registrant has provided false contact information and is otherwise not to be found, or where a court is unable to assert personal jurisdiction over such person, provided the mark owner can show that the domain name itself violates substantive federal trademark law (i.e., that the domain name violates the rights of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c) of the Trademark Act). Under the bill, a mark owner will be deemed to have exercised due diligence in trying to find a defendant if the mark owner sends notice of the alleged violation and intent to proceed to the domain name registrant at the postal and e-mail address provided by the registrant to the registrar and publishes notice of the action as the court may direct promptly after filing the action. Such acts are deemed to constitute service of process by paragraph (2)(B).

The concept of in rem jurisdiction has been with us since well before the Supreme Court’s landmark decision in *Pennoyer v. Neff*, 95 U.S. 714 (1877). Although more recent decisions have called into question the viability of quasi in rem “attachment” jurisdiction, see *Shaffer v. Heitner*, 433 U.S. 186 (1977), the Court has expressly acknowledged the propriety of true in rem proceedings (or even type

I quasi in rem proceedings<sup>5</sup>) where “claims to the property itself are the source of the underlying controversy between the plaintiff and the defendant.” *Id.* at 207–08. The Act clarifies the availability of in rem jurisdiction in appropriate cases involving claims by trademark holders against cyberpirates. In so doing, the Act reinforces the view that in rem jurisdiction has continuing constitutional vitality, see *R.M.S. Titanic, Inc. v. Haver*, 171 F.3d 943, 957–58 (4th Cir. 1999) (“In rem actions only require that a party seeking an interest in a res bring the res into the custody of the court and provide reasonable, public notice of its intention to enable others to appear in the action to claim an interest in the res.”); *Chapman v. Vande Bunte*, 604 F. Supp. 714, 716–17 (E.D. N.C. 1985) (“In a true in rem proceeding, in order to subject property to a judgment in rem, due process requires only that the property itself have certain minimum contacts with the territory of the forum.”).

By authorizing in rem jurisdiction, the Act also attempts to respond to the problems faced by trademark holders in attempting to effect personal service of process on cyberpirates. In an effort to avoid being held accountable for their infringement or dilution of famous trademarks, cyberpirates often have registered domain names under fictitious names and addresses or have used offshore addresses or companies to register domain names. Even when they actually do receive notice of a trademark holder’s claim, cyberpirates often either refuse to acknowledge demands from a trademark holder altogether, or simply respond to an initial demand and then ignore all further efforts by the trademark holder to secure the cyberpirate’s compliance. The in rem provisions of the Act accordingly contemplate that a trademark holder may initiate in rem proceedings in cases where domain name registrants are not subject to personal jurisdiction or cannot reasonably be found by the trademark holder.

Paragraph (2)(C) provides that in an in rem proceeding, a domain name shall be deemed to have its situs in the judicial district in which (1) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located, or (2) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

Paragraph (2)(D) limits the relief available in such an in rem action to an injunction ordering the forfeiture, cancellation, or transfer of the domain name. Upon receipt of a written notification of the complaint, the domain name registrar, registry, or other authority is required to deposit with the court documents sufficient to establish the court’s control and authority regarding the disposition of the registration and use of the domain name to the court, and may not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court. Such domain name registrar, registry, or other authority is immune from injunctive or monetary relief in such an action, ex-

<sup>5</sup>The Supreme Court has described the “two types” of quasi in rem proceedings: a type I proceeding, in which “the plaintiff is seeking to secure a pre-existing claim in the subject property and to extinguish or establish the nonexistence of similar interests of particular persons,” and a type II action, in which “the plaintiff seeks to apply what he concedes to be the property of the defendant to the satisfaction of a claim against him.” *Hanson v. Denckla*, 357 U.S. 235, 246 n.12 (1958).

cept in the case of bad faith or reckless disregard, which would include a willful failure to comply with any such court order.

Paragraph (3) makes clear that the new civil action created by this Act and the in rem action established therein, and any remedies available under such actions, shall be in addition to any other civil action or remedy otherwise applicable. This paragraph thus makes clear that the creation of a new section 43(d) in the Trademark Act does not in any way limit the application of current provisions of trademark, unfair competition and false advertising, or dilution law, or other remedies under counterfeiting or other statutes, to cybersquatting cases.

Paragraph (4) makes clear that the in rem jurisdiction established by the bill is in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.

*Subsection (b). Cyberpiracy protection for individuals*

Subsection (b) prohibits the registration of a domain name that is the name of another living person, or a name that is substantially and confusingly similar thereto, without such person's permission, if the registrant's specific intent is to profit from the domain name by selling it for financial gain to such person or a third party. While the provision is broad enough to apply to the registration of full names (e.g., johndoe.com), appellations (e.g., doe.com), and variations thereon (e.g. john-doe.com or jondoe.com), the provision is still very narrow in that it requires a showing that the registrant of the domain name registered that name with a specific intent to profit from the name by selling it to that person or to a third party for financial gain. This section authorizes the court to grant injunctive relief, including ordering the forfeiture or cancellation of the domain name or the transfer of the domain name to the plaintiff. Although the subsection does not authorize a court to grant monetary damages, the court may award costs and attorneys' fees to the prevailing party in appropriate cases.

This subsection does not prohibit the registration of a domain name in good faith by an owner or licensee of a copyrighted work, such as an audiovisual work, a sound recording, a book, or other work of authorship, where the personal name is used in, affiliated with, or related to that work, where the person's intent in registering the domain is not to sell the domain name other than in conjunction with the lawful exploitation of the work, and where such registration is not prohibited by a contract between the domain name registered and the named person. This limited exemption recognizes the First Amendment issues that may arise in such cases and defers to existing bodies of law that have developed under State and Federal law to address such uses of personal names in conjunction with works of expression. Such an exemption is not intended to provide a loophole for those whose specific intent is to profit from another's name by selling the domain name to that person or a third party other than in conjunction with the bona fide exploitation of a legitimate work of authorship. For example, the registration of a domain name containing a personal name by the author of a screenplay that bears the same name, with the intent to sell the domain name in conjunction with the sale or license of the screenplay to a production studio would not be barred by this

subsection, although other provisions of State or Federal law may apply. On the other hand, the exemption for good faith registrations of domain names tied to legitimate works of authorship would not exempt a person who registers a personal name as a domain name with the intent to sell the domain name by itself, or in conjunction with a work of authorship (e.g., a copyrighted web page) where the real object of the sale is the domain name, rather than the copyrighted work.

In sum, this subsection is a narrow provision intended to curtail one form of “cybersquatting”—the act of registering someone else’s name as a domain name for the purpose of demanding remuneration from the person in exchange for the domain name. Neither this section nor any other section in this bill is intended to create a right of publicity of any kind with respect to domain names. Nor is it intended to create any new property rights, intellectual or otherwise, in a domain name that is the name of a person. This subsection applies prospectively only, affecting only those domain names registered on or after the date of enactment of this Act.

*Sec. 3003. Damages and remedies*

This section applies traditional trademark remedies, including injunctive relief, recovery of defendant’s profits, actual damages, and costs, to cybersquatting cases under the new section 43(d) of the Trademark Act. The bill also amends section 35 of the Trademark Act to provide for statutory damages in cybersquatting cases, in an amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just.

*Sec. 3004. Limitation on liability*

This section amends section 32(2) of the Trademark Act to extend the Trademark Act’s existing limitations on liability to the cybersquatting context. This section also creates a new subparagraph (D) in section 32(2) to encourage domain name registrars and registries to work with trademark owners to prevent cybersquatting through a limited exemption from liability for domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting cybersquatting. Under this exemption, a registrar, registry, or other domain name registration authority that suspends, cancels, or transfers a domain name pursuant to a court order or a reasonable policy prohibiting cybersquatting will not be held liable for monetary damages, and will not be subject to injunctive relief provided that the registrar, registry, or other registration authority has deposited control of the domain name with a court in which an action has been filed regarding the disposition of the domain name, it has not transferred, suspended, or otherwise modified the domain name during the pendency of the action, other than in response to a court order, and it has not willfully failed to comply with any such court order. Thus, the exemption will allow a domain name registrar, registry, or other registration authority to avoid being joined in a civil action regarding the disposition of a domain name that has been taken down pursuant to a dispute resolution policy, provided the court

has obtained control over the name from the registrar, registry, or other registration authority, but such registrar, registry, or other registration authority would not be immune from suit for injunctive relief where no such action has been filed or where the registrar, registry, or other registration authority has transferred, suspended, or otherwise modified the domain name during the pendency of the action or wilfully failed to comply with a court order.

This section also protects the rights of domain name registrants against overreaching trademark owners. Under a new subparagraph (D)(iv) in section 32(2), a trademark owner who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing shall be liable to the domain name registrant for damages resulting from the suspension, cancellation, or transfer of the domain name. In addition, the court may grant injunctive relief to the domain name registrant by ordering the reactivation of the domain name or the transfer of the domain name back to the domain name registrant. In creating a new subparagraph (D)(iii) of section 32(2), this section codifies current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a domain name, absent bad-faith on the part of the registrar and registry.

Finally, subparagraph (D)(v) provides additional protections for domain name holders by allowing a domain name registrant whose name has been suspended, disabled, or transferred to file a civil action to establish that the registration or use of the domain name by such registrant is not a violation of the Lanham Act. In such cases, a court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.

#### *Sec. 3005. Definitions*

This section amends the Trademark Act's definitions section (section 45) to add definitions for key terms used in this Act. First, the term "Internet" is defined consistent with the meaning given that term in the Communications Act (47 U.S.C. 230(f)(1)). Second, this section creates a narrow definition of "domain name" to target the specific bad faith conduct sought to be addressed while excluding such things as screen names, file names, and other identifiers not assigned by a domain name registrar or registry.

#### *Sec. 3006. Study on abusive domain name registrations involving personal names*

This section directs the Secretary of Commerce, in consultation with the Patent and Trademark Office and the Federal Election Commission, to conduct a study and report to Congress with recommendations on guidelines and procedures for resolving disputes involving the registration or use of domain names that include personal names of others or names that are confusingly similar thereto. This section further directs the Secretary of Commerce to collaborate with the Internet Corporation for Assigned Names and Numbers (ICANN) to develop guidelines and procedures for resolving disputes involving the registration or use of domain names that include personal names of others or names that are confusingly similar thereto.

*Sec. 3007. Historic preservation*

This section provides a limited immunity from suit under trademark law for historic buildings that are on or eligible for inclusion on the National Register of Historic Places, or that are designated as an individual landmark or as a contributing building in a historic district.

*Sec. 3008. Savings clause*

This section provides an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person's first amendment rights.

*Sec. 3009. Effective date*

This section provides that damages provided for under this bill shall not apply to the registration, trafficking, or use of a domain name that took place prior to the enactment of this Act.

## TITLE VI—INVENTOR PROTECTION

*Sec. 4001. Short title*

This title may be cited as the “American Inventors Protection Act of 1999.”

*Sec. 4002. Table of contents*

Section 4002 enumerates the table of contents of this title.

## SUBTITLE A—INVENTORS' RIGHTS

Subtitle A creates a new section 297 in chapter 29 of title 35 of the United States Code, designed to curb the deceptive practices of certain invention promotion companies. Many of these companies advertise on television and in magazines that inventors may call a toll-free number for assistance in marketing their inventions. They are sent an invention evaluation form, which they are asked to complete to allow the promoter to provide expert analysis of the market potential of their inventions. The inventors return the form with descriptions of the inventions, which become the basis for contacts by salespeople at the promotion companies. The next step is usually a “professional”-appearing product research report which contains nothing more than boilerplate information stating that the invention has outstanding market potential and fills an important need in the field. The promotion companies attempt to convince the inventor to buy their marketing services, normally on a sliding scale in which the promoter will ask for a front-end payment of up to \$10,000 and a percentage of resulting profits, or a reduced front-end payment of \$6,000 or \$8,000 with commensurately larger royalties on profits. Once paid under such a scenario, a promoter will typically and only forward information to a list of companies that never respond.

This subtitle addresses these problems by (1) requiring an invention promoter to disclose certain materially relevant information to a customer in writing prior to entering into a contract for invention promotion services; (2) establishing a federal cause of action for inventors who are injured by material false or fraudulent

statements or representations, or any omission of material fact, by an invention promoter, or by the invention promoter's failure to make the required written disclosures; and (3) requiring the Director of the United States Patent and Trademark Office to make publicly available complaints received involving invention promoters, along with the response to such complaints, if any, from the invention promoters.

*Sec. 4101. Short title*

This subtitle may be cited as the "Inventors' Rights Act of 1999."

*Sec. 4102. Integrity in invention promotion services*

This section adds a new section 297 to chapter 29 of title 35, United States Code, intended to promote integrity in invention promotion services. Legitimate invention assistance and development organizations can be of great assistance to novice inventors by providing information on how to protect an invention, how to develop it, how to obtain financing to manufacture it, or how to license or sell the invention. While many invention developers are legitimate, the unscrupulous ones take advantage of untutored inventors, asking for large sums of money up front for which they provide no real service in return. This new section provides a much needed safeguard to assist independent inventors in avoiding becoming victims of the predatory practices of unscrupulous invention promoters.

New section 297(a) of title 35 requires an invention promoter to disclose certain materially relevant information to a customer in writing prior to entering into a contract for invention promotion services. Such information includes: (1) The number of inventions evaluated by the invention promoter and stating the number of those evaluated positively and the number negatively; (2) The number of customers who have contracted for services with the invention promoter in the prior five years; (3) The number of customers known by the invention promoter to have received a net financial profit as a direct result of the invention promoter's services; (4) The number of customers known by the invention promoter to have received license agreements for their inventions as a direct result of the invention promoter's services; and (5) the names and addresses of all previous invention promotion companies with which the invention promoter or its officers have collectively or individually been affiliated in the previous 10 years to enable the customer to evaluate the reputations of these companies.

New section 297(b) of title 35 establishes a civil cause of action against any invention promoter who injures a customer through any material false or fraudulent statement, representation, or omission of material fact by the invention promoter, or any person acting on behalf of the invention promoter, or through failure of the invention promoter to make all the disclosures required under subsection (a). In such a civil action, the customer may recover, in addition to reasonable costs and attorneys' fees, the amount of actual damages incurred by the customer or, at the customer's election, statutory damages up to \$5,000, as the court considers just. Subsection (b)(2) authorizes the court to increase damages to an amount not to exceed three times the amount awarded as statutory

or actual damages in a case where the customer demonstrates, and the court finds, that the invention promoter intentionally misrepresented or omitted a material fact to such customer, or failed to make the required disclosures under subsection (a), for the purpose of deceiving the customer. In determining the amount of increased damages, courts may take into account whether regulatory sanctions or other corrective action has been taken as a result of previous complaints against the invention promoter.

New section 297(c) defines the terms used in the section. These definitions are carefully crafted to cover true invention promoters without casting the net too broadly. Paragraph (3) excepts from the definition of “invention promoter” departments and agencies of the Federal, state, and local governments; any nonprofit, charitable, scientific, or educational organizations qualified under applicable State laws or described under § 170(b)(1)(A) of the Internal Revenue Code of 1986; persons or entities involved in evaluating the commercial potential of, or offering to license or sell, a utility patent or a previously filed nonprovisional utility patent application; any party participating in a transaction involving the sale of the stock or assets of a business; or any party who directly engages in the business of retail sales or distribution of products. Paragraph (4) defines the term “invention promotion services” to mean the procurement or attempted procurement for a customer of a firm, corporation, or other entity to develop and market products or services that include the customer’s invention.

New section 297(d) requires the Director of the USPTO to make publicly available all complaints submitted to the USPTO regarding invention promoters, together with any responses by invention promoters to those complaints. The Director is required to notify the invention promoter of a complaint and provide a reasonable opportunity to reply prior to making such complaint public. Section 297(d)(2) authorizes the Director to request from Federal and State agencies copies of any complaints relating to invention promotion services they have received and to include those complaints in the records maintained by the USPTO regarding invention promotion services. It is anticipated that the Director will use appropriate discretion in making such complaints available to the public for a reasonably sufficient, yet limited, length of time, such as a period of three years from the date of receipt, and that the Director will consult with the Federal Trade Commission to determine whether the disclosure requirements of the FTC and section 297(a) can be coordinated.

*Sec. 4103. Effective date*

This section provides that the effective date of section 297 will be 60 days after the date of enactment of this Act.

SUBTITLE B—PATENT AND TRADEMARK FEE FAIRNESS

Subtitle B provides patent and trademark fee reform, by lowering patent fees, by directing the Director of the USPTO to study alternative fee structures to encourage full participation in our patent system by all inventors, large and small, and by strengthening the prohibition against the use of trademark fees for non-trademark uses.



*Sec. 4201. Short title*

This subtitle may be cited as the “Patent and Trademark Fee Fairness Act of 1999.”

*Sec. 4202. Adjustment of patent fees*

This section reduces patent filing and reissue fees by \$50, and reduces patent maintenance fees by \$110. This would mark only the second time in history that patent fees have been reduced. Because trademark fees have not been increased since 1993 and because of the application of accounting based cost principles and systems, patent fee income has been partially offsetting the cost of trademark operations. This section will restore fairness to patent and trademark fees by reducing patent fees to better reflect the cost of services.

*Sec. 4203. Adjustment of trademark fees*

This section will allow the Director of the USPTO to adjust trademark fees in fiscal year 2000 without regard to fluctuations in the Consumer Price Index in order to better align those fees with the costs of services.

*Sec. 4204. Study on alternative fee structures*

This section directs the Director of the USPTO to conduct a study and report to the Judiciary Committees of the House and Senate within one year on alternative fee structures that could be adopted by the USPTO to encourage maximum participation in the patent system by the American inventor community.

*Sec. 4205. Patent and Trademark Office funding*

Pursuant to section 42(c) of the Patent Act, fees available to the Commissioner under section 31 of the Trademark Act of 1946<sup>6</sup> may be used only for the processing of trademark registrations and for other trademark-related activities, and to cover a proportionate share of the administrative costs of the USPTO. In an effort to more tightly “fence” trademark funds for trademark purposes, section 4205 amends this language such that all (trademark) fees available to the Commissioner shall be used for trademark registration and other trademark-related purposes. In other words, the Commissioner may exercise no discretion when spending funds; they must be earmarked for trademark purposes.

## SUBTITLE C—FIRST INVENTOR DEFENSE

Subtitle C strikes an equitable balance between the interests of U.S. inventors who have invented and commercialized business methods and processes, many of which until recently were thought not to be patentable, and U.S. or foreign inventors who later patent the methods and processes. The subtitle creates a defense for inventors who have reduced an invention to practice in the U.S. at least one year before the patent filing date of another, typically later, inventor and commercially used the invention in the U.S. before the filing date. A party entitled to the defense must not have

<sup>6</sup> 15 U.S.C. § 1051, et seq.

derived the invention from the patent owner. The bill protects the patent owner by providing that the establishment of the defense by such an inventor or entrepreneur does not invalidate the patent.

The subtitle clarifies the interface between two key branches of intellectual property law—patents and trade secrets. Patent law serves the public interest by encouraging innovation and investment in new technology, and may be thought of as providing a right to exclude other parties from an invention in return for the inventor making a public disclosure of the invention. Trade secret law, however, also serves the public interest by protecting investments in new technology. Trade secrets have taken on a new importance with an increase in the ability to patent all business methods and processes. It would be administratively and economically impossible to expect any inventor to apply for a patent on all methods and processes now deemed patentable. In order to protect inventors and to encourage proper disclosure, this subtitle focuses on methods for doing and conducting business, including methods used in connection with internal commercial operations as well as those used in connection with the sale or transfer of useful end results—whether in the form of physical products, or in the form of services, or in the form of some other useful results; for example, results produced through the manipulation of data or other inputs to produce a useful result.

The earlier-inventor defense is important to many small and large businesses, including financial services, software companies, and manufacturing firms—any business that relies on innovative business processes and methods. The 1998 opinion by the U.S. Court of Appeals for the Federal Circuit in *State Street Bank and Trust Co. v. Signature Financial Group*,<sup>7</sup> which held that methods of doing business are patentable, has added to the urgency of the issue. As the Court noted, the reference to the business method exception had been improperly applied to a wide variety of processes, blurring the essential question of whether the invention produced a “useful, concrete, and tangible result.” In the wake of *State Street*, thousands of methods and processes used internally are now being patented. In the past, many businesses that developed and used such methods and processes thought secrecy was the only protection available. Under established law, any of these inventions which have been in commercial use—public or secret—for more than one year cannot now be the subject of a valid U.S. patent.

#### *Sec. 4301. Short title*

This subtitle may be cited as the “First Inventor Defense Act of 1999.”

#### *Sec. 4302. Defense to patent infringement based on earlier inventor*

In establishing the defense, subsection (a) of section 4302 creates a new section 273 of the Patent Act, which in subsection (a) sets forth the following definitions:

- (1) “Commercially used and commercial use” mean use of any method in the United States so long as the use is in con-

<sup>7</sup> 149 F.3d 1368 (Fed. Cir. 1998) [hereinafter *State Street*].

nection with an internal commercial use or an actual sale or transfer of a useful end result;

(2) “Commercial use as applied to a nonprofit research laboratory and nonprofit entities such as a university, research center, or hospital intended to benefit the public” means that such entities may assert the defense only based on continued use by and in the entities themselves, but that the defense is inapplicable to subsequent commercialization or use outside the entities;

(3) “Method” means any method for doing or conducting an entity’s business; and

(4) “Effective filing date” means the earlier of the actual filing date of the application for the patent or the filing date of any earlier U.S., foreign, or international application to which the subject matter at issue is entitled under the Patent Act.

To be “commercially used” or in “commercial use” for purposes of subsection (a), the use must be in connection with either an internal commercial use or an actual arm’s-length sale or other arm’s-length commercial transfer of a useful end result. The method that is the subject matter of the defense may be an internal method for doing business, such as an internal human resources management process, or a method for conducting business such as a preliminary or intermediate manufacturing procedure, which contributes to the effectiveness of the business by producing a useful end result for the internal operation of the business or for external sale. Commercial use does not require the subject matter at issue to be accessible to or otherwise known to the public.

Subject matter that must undergo a premarketing regulatory review period during which safety or efficacy is established before commercial marketing or use is considered to be commercially used and in commercial use during the regulatory review period.

The issue of whether an invention is a method is to be determined based on its underlying nature and not on the technicality of the form of the claims in the patent. For example, a method for doing or conducting business that has been claimed in a patent as a programmed machine, as in the State Street case, is a method for purposes of section 273 if the invention could have as easily been claimed as a method. Form should not rule substance.

Subsection (b)(1) of section 273 establishes a general defense against infringement under section 271 of the Patent Act. Specifically, a person will not be held liable with respect to any subject matter that would otherwise infringe one or more claims to a method in another party’s patent if the person:

(1) Acting in good faith, actually reduced the subject matter to practice at least one year before the effective filing date of the patent; and

(2) Commercially used the subject matter before the effective filing date of the patent.

The first inventor defense is not limited to methods in any particular industry such as the financial services industry, but applies to any industry which relies on trade secrecy for protecting methods for doing or conducting the operations of their business.

Subsection (b)(2) states that the sale or other lawful disposition of a useful end result produced by a patented method, by a person entitled to assert a section 273 defense, exhausts the patent owner's rights with respect to that end result to the same extent such rights would have been exhausted had the sale or other disposition been made by the patent owner. For example, if a purchaser would have had the right to resell a product or other end result if bought from the patent owner, the purchaser will have the same right if the product is purchased from a person entitled to a section 273 defense.

Subsection (b)(3) creates limitations and qualifications on the use of the defense. First, a person may not assert the defense unless the invention for which the defense is asserted is for a commercial use of a method as defined in section 273(a)(1) and (3). Second, a person may not assert the defense if the subject matter was derived from the patent owner or persons in privity with the patent owner. Third, subsection (b)(3) makes clear that the application of the defense does not create a general license under all claims of the patent in question—it extends only to the specific subject matter claimed in the patent with respect to which the person can assert the defense. At the same time, however, the defense does extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements that do not infringe additional, specifically-claimed subject matter.

Subsection (b)(4) requires that the person asserting the defense has the burden of proof in establishing it by clear and convincing evidence. Subsection (b)(5) establishes that the person who abandons the commercial use of subject matter may not rely on activities performed before the date of such abandonment in establishing the defense with respect to actions taken after the date of abandonment. Such a person can rely only on the date when commercial use of the subject matter was resumed.

Subsection (b)(6) notes that the defense may only be asserted by the person who performed the acts necessary to establish the defense, and, except for transfer to the patent owner, the right to assert the defense cannot be licensed, assigned, or transferred to a third party except as an ancillary and subordinate part of a good-faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates.

When the defense has been transferred along with the enterprise or line of business to which it relates as permitted by subsection (b)(6), subsection (b)(7) limits the sites for which the defense may be asserted. Specifically, when the enterprise or line of business to which the defense relates has been transferred, the defense may be asserted only for uses at those sites where the subject matter was used before the later of the patent filing date or the date of transfer of the enterprise or line of business.

Subsection (b)(8) states that a person who fails to demonstrate a reasonable basis for asserting the defense may be held liable for attorneys' fees under section 285 of the Patent Act.

Subsection (b)(9) specifies that the successful assertion of the defense does not mean that the affected patent is invalid. Paragraph (9) eliminates a point of uncertainty under current law, and strikes a balance between the rights of an inventor who obtains a

patent after another inventor has taken the steps to qualify for a prior use defense. The bill provides that the commercial use of a method in operating a business before the patentee's filing date, by an individual or entity that can establish a section 273 defense, does not invalidate the patent. For example, under current law, although the matter has seldom been litigated, a party who commercially used an invention in secrecy before the patent filing date and who also invented the subject matter before the patent owner's invention may argue that the patent is invalid under section 102(g) of the Patent Act. Arguably, commercial use of an invention in secrecy is not suppression or concealment of the invention within the meaning of section 102(g), and therefore the party's earlier invention could invalidate the patent.<sup>8</sup>

*Sec. 4303. Effective date and applicability*

The effective date for subtitle C is the date of enactment, except that the title does not apply to any infringement action pending on the date of enactment or to any subject matter for which an adjudication of infringement, including a consent judgment, has been made before the date of enactment.

SUBTITLE D—PATENT TERM GUARANTEE

Subtitle D amends the provisions in the Patent Act that compensate patent applicants for certain reductions in patent term that are not the fault of the applicant. The provisions that were initially included in the term adjustment provisions of patent bills in the 105th Congress only provided adjustments for up to 10 years for secrecy orders, interferences, and successful appeals. Not only are these adjustments too short in some cases, but no adjustments were provided for administrative delays caused by the USPTO that were beyond the control of the applicant. Accordingly, subtitle D removes the 10-year caps from the existing provisions, adds a new provision to compensate applicants fully for USPTO-caused administrative delays, and, for good measure, includes a new provision guaranteeing diligent applicants at least a 17-year term by extending the term of any patent not granted within three years of filing. Thus, no patent applicant diligently seeking to obtain a patent will receive a term of less than the 17 years as provided under the pre-GATT<sup>9</sup> standard; in fact, most will receive considerably more. Only those who purposely manipulate the system to delay the issuance of their patents will be penalized under subtitle D, a result that the Conferees believe entirely appropriate.

*Sec. 4401. Short title*

This subtitle may be cited as the "Patent Term Guarantee Act of 1999."

<sup>8</sup>See *Dunlop Holdings v. Ram Golf Corp.*, 524 F.2d 33 (7th Cir. 1975), cert. denied, 424 US 985 (1976).

<sup>9</sup>General Agreement on Tariffs and Trade, Pub. L. No. 103-465. The framework for international trade since its inception in 1948, GATT is now administered under the auspices of the World Trade Organization (WTO) (see note 19, *infra*).

*Sec. 4402. Patent term guarantee authority*

Section 4402 amends section 154(b) of the Patent Act covering term. First, new subsection (b)(1)(A)(i)–(iv) guarantees day-for-day restoration of term lost as a result of delay created by the USPTO when the agency fails to:

(1) Make a notification of the rejection of any claim for a patent or any objection or argument under § 132, or give or mail a written notice of allowance under § 151, within 14 months after the date on which a non-provisional application was actually filed in the USPTO;

(2) Respond to a reply under § 132, or to an appeal taken under § 134, within four months after the date on which the reply was filed or the appeal was taken;

(3) Act on an application within four months after the date of a decision by the Board of Patent Appeals and Interferences under § 134 or § 135 or a decision by a Federal court under §§ 141, 145, or 146 in a case in which allowable claims remain in the application; or

(4) Issue a patent within four months after the date on which the issue fee was paid under § 151 and all outstanding requirements were satisfied.

Further, subject to certain limitations, *infra*, section 154(b)(1)(B) guarantees a total application pendency of no more than three years. Specifically, day-for-day restoration of term is granted if the USPTO has not issued a patent within three years after “the actual date of the application in the United States.” This language was intentionally selected to exclude the filing date of an application under the Patent Cooperation Treaty (PCT).<sup>10</sup> Otherwise, an applicant could obtain up to a 30-month extension of a U.S. patent merely by filing under PCT, rather than directly in the USPTO, gaining an unfair advantage in contrast to strictly domestic applicants. Any periods of time—

(1) consumed in the continued examination of the application under § 132(b) of the Patent Act as added by section 4403 of this Act;

(2) lost due to an interference under section 135(a), a secrecy order under section 181, or appellate review by the Board of Patent Appeals and Interferences or by a Federal court (irrespective of the outcome); and

(3) incurred at the request of an applicant in excess of the three months to respond to a notice from the Office permitted by section 154(b)(2)(C)(ii) unless excused by a showing by the applicant under section 154(b)(3)(C) that in spite of all due care the applicant could not respond within three months

shall not be considered a delay by the USPTO and shall not be counted for purposes of determining whether the patent issued within three years from the actual filing date.

<sup>10</sup>See Herbert F. Schwartz, *Patent Law & Practice* (2d ed., Federal Judicial Center, 1995), note 72 at 22. The PCT is a multilateral treaty among more than 50 nations that is designed to simplify the patenting process when an applicant seeks a patent on the same invention in more than one nation. See also 35 U.S.C.A. chs. 35–37 and PCT Applicant’s Guide (1992, rev. 1994).

Day-for-day restoration is also granted under new section 154(b)(1)(C) for delays resulting from interferences,<sup>11</sup> secrecy orders,<sup>12</sup> and appeals by the Board of Patent Appeals and Interferences or a Federal court in which a patent was issued as a result of a decision reversing an adverse determination of patentability.

Section 4402 imposes limitations on restoration of term. In general, pursuant to new § 154(b)(2)(A)–(C) of the bill, total adjustments granted for restorations under (b)(1) are reduced as follows:

(1) To the extent that there are multiple grounds for extending the term of a patent that may exist simultaneously (e.g., delay due to a secrecy order under section 181 and administrative delay under section 154(b)(1)(A)), the term should not be extended for each ground of delay but only for the actual number of days that the issuance of a patent was delayed;

(2) The term of any patent which has been disclaimed beyond a date certain may not receive an adjustment beyond the expiration date specified in the disclaimer; and

(3) Adjustments shall be reduced by a period equal to the time in which the applicant failed to engage in reasonable efforts to conclude prosecution of the application, based on regulations developed by the Director, and an applicant shall be deemed to have failed to engage in such reasonable efforts for any periods of time in excess of three months that are taken to respond to a notice from the Office making any rejection or other request;

New section 154(b)(3) sets forth the procedures for the adjustment of patent terms. Paragraph (3)(A) empowers the Director to establish regulations by which term extensions are determined and contested. Paragraph (3)(B) requires the Director to send a notice of any determination with the notice of allowance and to give the applicant one opportunity to request reconsideration of the determination. Paragraph (3)(C) requires the Director to reinstate any time the applicant takes to respond to a notice from the Office in excess of three months that was deducted from any patent term extension that would otherwise have been granted if the applicant can show that he or she was, in spite of all due care, unable to respond within three months. In no case shall more than an additional three months be reinstated for each response. Paragraph (3)(D) requires the Director to grant the patent after completion of determining any patent term extension irrespective of whether the applicant appeals.

New section 154(b)(4) regulates appeals of term adjustment determinations made by the Director. Paragraph (4)(A) requires a dissatisfied applicant to seek remedy in the District Court for the District of Columbia under the Administrative Procedures Act<sup>13</sup> within 180 days after the grant of the patent. The Director shall alter the term of the patent to reflect any final judgment. Paragraph (4)(B) precludes a third party from challenging the determination of a patent term prior to patent grant.

<sup>11</sup> 35 U.S.C. § 135(a).

<sup>12</sup> 35 U.S.C. § 181.

<sup>13</sup> 5 U.S.C. §§ 551–559, 701–706, 1305, 3105, 3344, 5372, 7521.

Section 4402(b) makes certain conforming amendments to section 282 of the Patent Act and the appellate jurisdiction of the U.S. Court of Appeals for the Federal Circuit.<sup>14</sup>

*Sec. 4403. Continued examination of patent applications*

Section 4403 amends section 132 of the Patent Act to permit an applicant to request that an examiner continue the examination of an application following a notice of “final” rejection by the examiner. New section 132(b) authorizes the Director to prescribe regulations for the continued examination of an application notwithstanding a final rejection, at the request of the applicant. The Director may also establish appropriate fees for continued examination proceedings, and shall provide a 50% fee reduction for small entities which qualify for such treatment under section 41(h)(1) of the Patent Act.

*Sec. 4404. Technical clarification*

Section 4404 of the bill coordinates technical term adjustment provisions set forth in section 154(b) with those in section 156(a) of the Patent Act.

*Sec. 4405. Effective date*

The effective date for the amendments in section 4402 and 4404 is six months after the date of enactment and, with the exception of design applications (the terms of which are not measured from filing), applies to any application filed on or after such date. The amendments made by section 4403 take effect six months after date of enactment to allow the USPTO to prepare implementing regulations that apply to all national and international (PCT) applications filed on or after June 8, 1995.

SUBTITLE E—DOMESTIC PUBLICATION OF PATENT APPLICATIONS  
PUBLISHED ABROAD

Subtitle E provides for the publication of pending patent applications which have a corresponding foreign counterpart. Any pending U.S. application filed only in the United States (e.g., one that does not have a foreign counterpart) will not be published if the applicant so requests. Thus, an applicant wishing to maintain her application in confidence may do so merely by filing only in the United States and requesting that the USPTO not publish the application. For those applicants who do file abroad or who voluntarily publish their applications, provisional rights will be available for assertion against any third party who uses the claimed invention between publication and grant provided that substantially similar claims are contained in both the published application and granted patent. This change will ensure that American inventors will be able to see the technology that our foreign competition is seeking to patent much earlier than is possible today.

*Sec. 4501. Short title*

This subtitle may be cited as the “Domestic Publication of Foreign Filed Patent Applications Act of 1999.”

<sup>14</sup> 28 U.S.C. § 1295.



*Sec. 4502. Publication*

As provided in subsection (a) of section 4502, amended section 122(a) of the Patent Act continues the general rule that patent applications will be maintained in confidence. Paragraph (1)(A) of new subsection (b) of section 122 creates a new exception to this general rule by requiring publication of certain applications promptly after the expiration of an 18-month period following the earliest claimed U.S. or foreign filing date. The Director is authorized by subparagraph (B) to determine what information concerning published applications shall be made available to the public, and, under subparagraph (C) any decision made in this regard is final and not subject to review.

Subsection (b)(2) enumerates exceptions to the general rule requiring publication. Subparagraph (A) precludes publication of any application that is: (1) no longer pending at the 18th month from filing; (2) the subject of a secrecy order until the secrecy order is rescinded; (3) a provisional application;<sup>15</sup> or (4) a design patent application.<sup>16</sup>

Pursuant to subparagraph (B)(i), any applicant who is not filing overseas and does not wish her application to be published can simply make a request and state that her invention has not and will not be the subject of an application filed in a foreign country that requires publication after 18 months. Subparagraph (B)(ii) clarifies that an applicant may rescind this request at any time. Moreover, if an applicant has requested that her application not be published in a foreign country with a publication requirement, subparagraph (B)(iii) imposes a duty on the applicant to notify the Director of this fact. An unexcused failure to notify the Director will result in the abandonment of the application. If an applicant either rescinds a request that her application not be published or notifies the Director that an application has been filed in an early publication country or through the PCT, the U.S. application will be published at 18 months pursuant to subsection (b)(1).

Finally, under subparagraph (B)(v), where an applicant has filed an application in a foreign country, either directly or through the PCT, so that the application will be published 18 months from its earliest effective filing date, the applicant may limit the scope of the publication by the USPTO to the total of the cumulative scope of the applications filed in all foreign countries. Where the foreign application is identical to the application filed in the United States or where an application filed under the PCT is identical to the application filed in the United States, the applicant may not limit the extent to which the application filed in the United States is published. However, where an applicant has limited the description of an application filed in a foreign country, either directly or through the PCT in comparison with the application filed in the USPTO, the applicant may restrict the publication by the USPTO to no more than the cumulative details of what will be published

<sup>15</sup> 35 U.S.C. § 111(b). Pursuant to 35 U.S.C. § 111(b)(5), all provisional applications are abandoned 12 months after the date of their filing; accordingly, they are not subject to the 18-month publication requirement.

<sup>16</sup> 35 U.S.C. § 171. Since design applications do not disclose technology, inventors do not have a particular interest in having them published. The bill as written therefore simplifies the proposed system of publication to confine the requirement to those applications for which there is a need for publication.

in all of the foreign applications and through the PCT. The applicant may restrict the extent of publication of her U.S. application by submitting a redacted copy of the application to the USPTO eliminating only those details that will not be published in any of the foreign applications. Any description contained in at least one of the foreign national or PCT filings may not be excluded from publication in the corresponding U.S. patent application. To ensure that any redacted copy of the U.S. application is published in place of the original U.S. application, the redacted copy must be received within 16 months from the earliest effective filing date. Finally, if the published U.S. application as redacted by the applicant does not enable a person skilled in the art to make and use the claimed invention, provisional rights under section 154(d) shall not be available.

Subsection (c) requires the Director to establish procedures to ensure that no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication without the express written consent of the applicant.

Subsection (d) protects our national security by providing that no application may be published under subsection (b)(1) where the publication or disclosure of such invention would be detrimental to the national security. In addition, the Director of the USPTO is required to establish appropriate procedures to ensure that such applications are promptly identified and the secrecy of such inventions is maintained in accordance with chapter 17 of the Patent Act, which governs secrecy of inventions in the interest of national security.

Subsection (b) of section 4502 of subtitle E requires the Government Accounting Office (GAO) to conduct a study of applicants who file only in the United States during a three-year period beginning on the effective date of subtitle E. The study will focus on the percentage of U.S. applicants who file only in the United States versus those who file outside the United States; how many domestic-only filers request not to be published; how many who request not to be published later rescind that request; and whether there is any correlation between the type of applicant (e.g., small vs. large entity) and publication. The Comptroller General must submit the findings of the study, once completed, to the Committees on the Judiciary of the House and Senate.

*Sec. 4503. Time for claiming benefit of earlier filing date*

Section 119 of the Patent Act prescribes procedures to implement the right to claim priority under Article 4 of the Paris Convention for the Protection of Industrial Property.<sup>17</sup> Under that Article, an applicant seeking protection in the United States may claim the filing date of an application for the same invention filed in another Convention country—provided the subsequent application is filed in the United States within 12 months of the earlier filing in the foreign country.

Section 4503 of subtitle V amends section 119(b) of the Patent Act to authorize the Director to establish a cut-off date by which

<sup>17</sup> Mar. 20, 1883, as revised at Brussels, Dec. 14, 1900, 25 Stat. 1645, T.S. No. 579, and subsequently through 1967. The Convention has 156 member nations, including the United States.

the applicant must claim priority. This is to ensure that the claim will be made early enough—generally not later than the 16th month from the earliest effective filing date—so as to permit an orderly publication schedule for pending applications. As the USPTO moves to electronic filing, it is envisioned that this date could be moved closer to the 18th month.

The amendment to § 119(b) also gives the Director the discretion to consider the failure of the applicant to file a timely claim for priority to be a waiver of any such priority claim. The Director is also authorized to establish procedures (including the payment of a surcharge) to accept an unintentionally delayed priority claim.

Section 4503(b) of subtitle E amends section 120 of the Patent Act in a similar way. This provision empowers the Director to: (1) establish a time by which the priority of an earlier filed United States application must be claimed; (2) consider the failure to meet that time limit to be a waiver of the right to claim such priority; and (3) accept an unintentionally late claim of priority subject to the payment of a surcharge.

#### *Sec. 4504. Provisional rights*

Section 4504 amends section 154 of the Patent Act by adding a new subsection (d) to accord provisional rights to obtain a reasonable royalty for applicants whose applications are published under amended section 122(b) of the Patent Act, *supra*, or applications designating the United States filed under the PCT. Generally, this provision establishes the right of an applicant to obtain a reasonable royalty from any person who, during the period beginning on the date that his or her application is published and ending on the date a patent is issued—

(1) makes, uses, offers for sale, or sells the invention in the United States, or imports such an invention into the United States; or

(2) if the invention claimed is a process, makes, uses, offers for sale, sells, or imports a product made by that process in the United States; and

(3) had actual notice of the published application and, in the case of an application filed under the PCT designating the United States that is published in a language other than English, a translation of the application into English.

The requirement of actual notice is critical. The mere fact that the published application is included in a commercial database where it might be found is insufficient. The published applicant must give actual notice of the published application to the accused infringer and explain what acts are regarded as giving rise to provisional rights.

Another important limitation on the availability of provisional royalties is that the claims in the published application that are alleged to give rise to provisional rights must also appear in the patent in substantially identical form. To allow anything less than substantial identity would impose an unacceptable burden on the public. If provisional rights were available in the situation where the only valid claim infringed first appeared in substantially that form in the granted patent, the public would have no guidance as to the specific behavior to avoid between publication and grant.

Every person or company that might be operating within the scope of the disclosure of the published application would have to conduct her own private examination to determine whether a published application contained patentable subject matter that she should avoid. The burden should be on the applicant to initially draft a schedule of claims that gives adequate notice to the public of what she is seeking to patent.

Amended section 154(d)(3) imposes a six-year statute of limitations from grant in which an action for reasonable royalties must be brought.

Amended section 154(d)(4) sets forth some additional rules qualifying when an international application under the PCT will give rise to provisional rights. The date that will give rise to provisional rights for international applications will be the date on which the USPTO receives a copy of the application published under the PCT in the English language; if the application is published under the PCT in a language other than English, then the date on which provisional rights will arise will be the date on which the USPTO receives a translation of the international application in the English language. The Director is empowered to require an applicant to provide a copy of the international application and a translation of it.

*Sec. 4505. Prior art effect of published applications*

Section 4505 amends section 102(e) of the Patent Act to treat an application published by the USPTO in the same fashion as a patent published by the USPTO. Accordingly, a published application is given prior art effect as of its earliest effective U.S. filing date against any subsequently filed U.S. applications. As with patents, any foreign filing date to which the published application is entitled will not be the effective filing date of the U.S. published application for prior art purposes. An exception to this general rule is made for international applications designating the United States that are published under Article 21(2)(a) of the PCT in the English language. Such applications are given a prior art effect as of their international filing date. The prior art effect accorded to patents under section 4505 remains unchanged from present section 102(e) of the Patent Act.

*Sec. 4506. Cost recovery for publications*

Section 4506 authorizes the Director to recover the costs of early publication required by the amendment made by section 4502 of this Act by charging a separate publication fee after a notice of allowance is given pursuant to section 151 of the Patent Act.

*Sec. 4507. Conforming amendments*

Section 4507 consists of various technical and conforming amendments to the Patent Act. These include amending section 181 of the Patent Act to clarify that publication of pending applications does not apply to applications under secrecy orders, and amending section 284 of the Patent Act to ensure that increased damages authorized under section 284 shall not apply to the reasonable royalties possible under amended section 154(d). In addition, section 374 of the Patent Act is amended to provide that the

effect of the publication of an international application designating the United States shall be the same as the publication of an application published under amended section 122(b), except as its effect as prior art is modified by amended section 102(e) and its giving rise to provisional rights is qualified by new section 154(d).

*Sec. 4508. Effective date*

Subtitle E shall take effect on the date that is one year after the date of enactment and shall apply to all applications filed under section 111 of the Patent Act on or after that date; and to all applications complying with section 371 of the Patent Act that resulted from international applications filed on or after that date. The provisional rights provided in amended section 154(d) and the prior art effect provided in amended section 102(e) shall apply to all applications pending on the date that is one year after the date of enactment that are voluntarily published by their applicants. Finally, section 404 (provisional rights) shall apply to international applications designating the United States that are filed on or after the date that is one year after the date of enactment.

SUBTITLE F—OPTIONAL INTER PARTES REEXAMINATION PROCEDURE

Subtitle F is intended to reduce expensive patent litigation in U.S. district courts by giving third-party requesters, in addition to the existing ex parte reexamination in Chapter 30 of title 35, the option of inter partes reexamination proceedings in the USPTO. Congress enacted legislation to authorize ex parte reexamination of patents in the USPTO in 1980, but such reexamination has been used infrequently since a third party who requests reexamination cannot participate at all after initiating the proceedings. Numerous witnesses have suggested that the volume of lawsuits in district courts will be reduced if third parties can be encouraged to use reexamination by giving them an opportunity to argue their case for patent invalidity in the USPTO. Subtitle F provides that opportunity as an option to the existing ex parte reexamination proceedings.

Subtitle F leaves existing ex parte reexamination procedures in Chapter 30 of title 35 intact, but establishes an inter partes reexamination procedure which third-party requesters can use at their option. Subtitle VI allows third parties who request inter partes reexamination to submit one written comment each time the patent owner files a response to the USPTO. In addition, such third-party requesters can appeal to the USPTO Board of Patent Appeals and Interferences from an examiner's determination that the reexamined patent is valid, but may not appeal to the Court of Appeals for the Federal Circuit. To prevent harassment, anyone who requests inter partes reexamination must identify the real party in interest and third-party requesters who participate in an inter partes reexamination proceeding are estopped from raising in a subsequent court action or inter partes reexamination any issue of patent validity that they raised or could have raised during such inter partes reexamination.

Subtitle F contains the important threshold safeguard (also applied in ex parte reexamination) that an inter partes reexamination cannot be commenced unless the USPTO makes a determination

that a “substantial new question” of patentability is raised. Also, as under Chapter 30, this determination cannot be appealed, and grounds for inter partes reexamination are limited to earlier patents and printed publications—grounds that USPTO examiners are well-suited to consider.

*Sec. 4601. Short title*

This subtitle may be cited as the “Optional *Inter Partes* Reexamination Procedure Act.”

*Sec. 4602. Clarification of Chapter 30*

This section distinguishes Chapter 31 from existing Chapter 30 by changing the title of Chapter 30 to “*Ex Parte* Reexamination of Patents.”

*Sec. 4603. Definitions*

This section amends section 100 of the Patent Act by defining “third-party requester” as a person who is not the patent owner requesting ex parte reexamination under section 302 or inter partes reexamination under section 311.

*Sec. 4604. Optional inter partes reexamination procedure*

Section 4604 amends Part III of title 35 by inserting a new Chapter 31 setting forth optional inter partes reexamination procedures.

New section 311, as amended by this section, differs from section 302 of existing law in Chapter 30 of the Patent Act by requiring any person filing a written request for inter partes reexamination to identify the real party in interest.

Similar to section 303 of existing law, new section 312 of the Patent Act confers upon the Director the authority and responsibility to determine, within three months after the filing of a request for inter partes reexamination, whether a substantial new question affecting patentability of any claim of the patent is raised by the request. Also, the decision in this regard is final and not subject to judicial review.

Proposed sections 313–14 under this subtitle are similarly modeled after sections 304–305 of Chapter 30. Under proposed section 313, if the Director determines that a substantial new question of patentability affecting a claim is raised, the determination shall include an order for inter partes reexamination for resolution of the question. The order may be accompanied by the initial USPTO action on the merits of the inter partes reexamination conducted in accordance with section 314. Generally, under proposed section 314, inter partes reexamination shall be conducted according to the procedures set forth in sections 132–133 of the Patent Act. The patent owner will be permitted to propose any amendment to the patent and a new claim or claims, with the same exception contained in section 305: no proposed amended or new claim enlarging the scope of the claims will be allowed.

Proposed section 314 elaborates on procedure with regard to third-party requesters who, for the first time, are given the option to participate in inter partes reexamination proceedings. With the exception of the inter partes reexamination request, any document

filed by either the patent owner or the third-party requester shall be served on the other party. In addition, the third party-requester in an inter partes reexamination shall receive a copy of any communication sent by the USPTO to the patent owner. After each response by the patent owner to an action on the merits by the USPTO, the third-party requester shall have one opportunity to file written comments addressing issues raised by the USPTO or raised in the patent owner's response. Unless ordered by the Director for good cause, the agency must act in an inter partes reexamination matter with special dispatch.

Proposed section 315 prescribes the procedures for appeal of an adverse USPTO decision by the patent owner and the third-party requester in an inter partes reexamination. Both the patent owner and the third-party requester are entitled to appeal to the Board of Patent Appeals and Interferences (section 134 of the Patent Act), but only the patentee can appeal to the U.S. Court of Appeals for the Federal Circuit (§§ 141–144); either may also be a party to any appeal by the other to the Board of Patent Appeals and Interferences. The patentee is not entitled to the alternative of an appeal of an inter partes reexamination to the U.S. District Court for the District of Columbia. Such appeals are rarely taken from ex parte reexamination proceedings under existing law and its removal should speed up the process.

To deter unnecessary litigation, proposed section 315 imposes constraints on the third-party requester. In general, a third-party requester who is granted an inter partes reexamination by the USPTO may not assert at a later time in any civil action in U.S. district court<sup>18</sup> the invalidity of any claim finally determined to be patentable on any ground that the third-party requester raised or could have raised during the inter partes reexamination. However, the third-party requester may assert invalidity based on newly discovered prior art unavailable at the time of the reexamination. Prior art was unavailable at the time of the inter partes reexamination if it was not known to the individuals who were involved in the reexamination proceeding on behalf of the third-party requester and the USPTO.

Section 316 provides for the Director to issue and publish certificates canceling unpatentable claims, confirming patentable claims, and incorporating any amended or new claim determined to be patentable in an inter partes procedure.

Subtitle F creates a new section 317 which sets forth certain conditions by which inter partes reexamination is prohibited to guard against harassment of a patent holder. In general, once an order for inter partes reexamination has been issued, neither a third-party requester nor the patent owner may file a subsequent request for inter partes reexamination until an inter partes reexamination certificate is issued and published, unless authorized by the Director. Further, if a third-party requester asserts patent invalidity in a civil action and a final decision is entered that the party failed to prove the assertion of invalidity, or if a final decision in an inter partes reexamination instituted by the requester is favorable to patentability, after any appeals, that third-party re-

<sup>18</sup>See 28 U.S.C. § 1338.

requester cannot thereafter request inter partes reexamination on the basis of issues which were or which could have been raised. However, the third-party requester may assert invalidity based on newly discovered prior art unavailable at the time of the civil action or inter partes reexamination. Prior art was unavailable at the time if it was not known to the individuals who were involved in the civil action or inter partes reexamination proceeding on behalf of the third-party requester and the USPTO.

Proposed section 318 gives a patent owner the right, once an inter partes reexamination has been ordered, to obtain a stay of any pending litigation involving an issue of patentability of any claims of the patent that are the subject of the inter partes reexamination, unless the court determines that the stay would not serve the interests of justice.

*Sec. 4605. Conforming amendments*

Section 4605 makes the following conforming amendments to the Patent Act:

A patent owner must pay a fee of \$1,210 for each petition in connection with an unintentionally abandoned application, delayed payment, or delayed response by the patent owner during any reexamination.

A patent applicant, any of whose claims has been twice rejected; a patent owner in a reexamination proceeding; and a third-party requester in an inter partes reexamination proceeding may all appeal final adverse decisions from a primary examiner to the Board of Patent Appeals and Interferences.

Proposed section 141 states that a patent owner in a reexamination proceeding may appeal an adverse decision by the Board of Patent Appeals and Interferences only to the U.S. Court of Appeals for the Federal Circuit as earlier noted. A third-party requester in an inter partes reexamination proceeding may not appeal beyond the Board of Patent Appeals and Interferences.

The Director is required pursuant to section 143 (proceedings on appeal to the Federal Circuit) to submit to the court the grounds for the USPTO decision in any reexamination addressing all the issues involved in the appeal.

*Sec. 4606. Report to Congress*

Not later than five years after the effective date of subtitle F, the Director must submit to Congress a report evaluating whether the inter partes reexamination proceedings set forth in the title are inequitable to any of the parties in interest and, if so, the report shall contain recommendations for change to eliminate the inequity.

*Sec. 4607. Estoppel effect of reexamination*

Section 4607 estops any party who requests inter partes reexamination from challenging at a later time, in any civil action, any fact determined during the process of the inter partes reexamination, except with respect to a fact determination later proved to be erroneous based on information unavailable at the time of the inter partes reexamination. The estoppel arises after a final decision in the inter partes reexamination or a final decision in any appeal of



such reexamination. If section 4607 is held to be unenforceable, the enforceability of the rest of subtitle F or the Act is not affected.

*Sec. 4608. Effective date*

Subtitle F shall take effect on the date of the enactment and shall apply to any patent that issues from an original application filed in the United States on or after that date, except that the amendments made by section 4605(a) shall take effect one year from the date of enactment.

SUBTITLE G—UNITED STATES PATENT AND TRADEMARK OFFICE

Subtitle G establishes the United States Patent and Trademark Office (USPTO) as an agency of the United States within the Department of Commerce. The Secretary of Commerce gives policy direction to the agency, but the agency is autonomous and responsible for the management and administration of its operations and has independent control of budget allocations and expenditures, personnel decisions and processes, and procurement. The Committee intends that the Office will conduct its patent and trademark operations without micro-management by Department of Commerce officials, with the exception of policy guidance of the Secretary. The agency is headed by an Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, a Deputy, and a Commissioner of Patents and a Commissioner of Trademarks. The agency is exempt from government-wide personnel ceilings. A patent public advisory committee and a trademark public advisory committee are established to advise the Director on agency policies, goals, performance, budget and user fees.

*Sec. 4701. Short title*

This subtitle may be cited as the “Patent and Trademark Office Efficiency Act.”

SUBCHAPTER A—UNITED STATES PATENT AND TRADEMARK OFFICE

*Sec. 4711. Establishment of Patent and Trademark Office*

Section 4711 establishes the USPTO as an agency of the United States within the Department of Commerce and under the policy direction of the Secretary of Commerce. The USPTO, as an autonomous agency, is explicitly responsible for decisions regarding the management and administration of its operations and has independent control of budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions. Patent operations and trademark operations are to be treated as separate operating units within the Office, each under the direction of its respective Commissioner, as supervised by the Director.

The USPTO shall maintain its principal office in the metropolitan Washington, D.C., area, for the service of process and papers and for the purpose of discharging its functions. For purposes of venue in civil actions, the agency is deemed to be a resident of the district in which its principal office is located, except where otherwise provided by law. The USPTO is also permitted to establish

satellite offices in such other places in the United States as it considers necessary and appropriate to conduct business. This is intended to allow the USPTO, if appropriate, to serve American applicants better.

*Sec. 4712. Powers and duties*

Subject to the policy direction of the Secretary of the Commerce, in general the USPTO will be responsible for the granting and issuing of patents, the registration of trademarks, and the dissemination of patent and trademark information to the public.

The USPTO will also possess specific powers, which include:

(1) a requirement to adopt and use an Office seal for judicial notice purposes and for authenticating patents, trademark certificates and papers issued by the Office;

(2) the authority to establish regulations, not inconsistent with law, that

(A) govern the conduct of USPTO proceedings within the Office,

(B) are in accordance with § 553 of title 5,

(C) facilitate and expedite the processing of patent applications, particularly those which can be processed electronically,

(D) govern the recognition, conduct, and qualifications of agents, attorneys, or other persons representing applicants or others before the USPTO,

(E) recognize the public interest in ensuring that the patent system retain a reduced fee structure for small entities, and

(F) provide for the development of a performance-based process for managing that includes quantitative and qualitative measures, standards for evaluating cost-effectiveness, and consistency with principles of impartiality and competitiveness;

(3) the authority to acquire, construct, purchase, lease, hold, manage, operate, improve, alter and renovate any real, personal, or mixed property as it considers necessary to discharge its functions;

(4) the authority to make purchases of property, contracts for construction, maintenance, or management and operation of facilities, as well as to contract for and purchase printing services without regard to those federal laws which govern such proceedings;

(5) the authority to use services, equipment, personnel, facilities and equipment of other federal entities, with their consent and on a reimbursable basis;

(6) the authority to use, with the consent of the United States and the agency, government, or international organization concerned, the services, records, facilities or personnel of any State or local government agency or foreign patent or trademark office or international organization to perform functions on its behalf;

(7) the authority to retain and use all of its revenues and receipts;

(8) a requirement to advise the President, through the Secretary of Commerce, on national and certain international intellectual property policy issues;

(9) a requirement to advise Federal departments and agencies of intellectual property policy in the United States and intellectual property protection abroad;

(10) a requirement to provide guidance regarding proposals offered by agencies to assist foreign governments and international intergovernmental organizations on matters of intellectual property protection;

(11) the authority to conduct programs, studies or exchanges regarding domestic or international intellectual property law and the effectiveness of intellectual property protection domestically and abroad;

(12) a requirement to advise the Secretary of Commerce on any programs and studies relating to intellectual property policy that the USPTO may conduct or is authorized to conduct, cooperatively with foreign intellectual property offices and international intergovernmental organizations; and

(13) the authority to (A) coordinate with the Department of State in conducting programs and studies cooperatively with foreign intellectual property offices and international intergovernmental organizations, and (B) transfer, with the concurrence of the Secretary of State, up to \$100,000 in any year to the Department of State to pay an international intergovernmental organization for studies and programs advancing international cooperation concerning patents, trademarks, and other matters.

The specific powers set forth in new subsection (b) are clarified in new subsection (c). The special payments of paragraph (14)(B) are additional to other payments or contributions and are not subject to any limitation imposed by law. Nothing in subsection (b) derogates from the duties of the Secretary of State or the United States Trade Representative as set forth in section 141 of the Trade Act of 1974,<sup>19</sup> nor derogates from the duties and functions of the Register of Copyrights. The Director is required to consult with the Administrator of General Services when exercising authority under paragraphs (3) and (4)(A). Nothing in section 4712 may be construed to nullify, void, cancel, or interrupt any pending request-for-proposal let or contract issued by the General Services Administration for the specific purpose of relocating or leasing space to the USPTO. Finally, in exercising the powers and duties under this section, the Director shall consult with the Register of Copyright on all Copyright and related matters.

#### *Sec. 4713. Organization and management*

Section 4713 details the organization and management of the agency. The powers and duties of the USPTO shall be vested in the Under Secretary and Director, who shall be appointed by the President, by and with the consent of the Senate. The Under Secretary and Director performs two main functions. As Under Secretary of Commerce for Intellectual Property, she serves as the policy advi-

<sup>19</sup> 19 U.S.C. § 2171.

sor to the Secretary of Commerce and the President on intellectual property issues. As Director, she is responsible for supervising the management and direction of the USPTO. She shall consult with the Public Advisory Committees, *infra*, on a regular basis regarding operations of the agency and before submitting budgetary proposals and fee or regulation changes. The Director shall take an oath of office. The President may remove the Director from office, but must provide notification to both houses of Congress.

The Secretary of Commerce, upon nomination of the Director, shall appoint a Deputy Director to act in the capacity of the Director if the Director is absent or incapacitated. The Secretary of Commerce shall also appoint two Commissioners, one for Patents, the other for Trademarks, without regard to chapters 33, 51, or 53 of title 5 of the U.S. Code. The Commissioners will have five-year terms and may be reappointed to new terms by the Secretary. Each Commissioner shall possess a demonstrated experience in patent and trademark law, respectively; and they shall be responsible for the management and direction of the patent and trademark operations, respectively. In addition to receiving a basic rate of compensation under the Senior Executive Service<sup>20</sup> and a locality payment,<sup>21</sup> the Commissioners may receive bonuses of up to 50 percent of their annual basic rate of compensation, not to exceed the salary of the Vice President, based on a performance evaluation by the Secretary, acting through the Director. The Secretary may remove Commissioners for misconduct or unsatisfactory performance. It is intended that the Commissioners will be non-political expert appointees, independently responsible for operations, subject to supervision by the Director.

The Director may appoint all other officers, agents, and employees as she sees fit, and define their responsibilities with equal discretion. The USPTO is specifically not subject to any administratively or statutorily imposed limits (full-time equivalents, or "FTEs") on positions or personnel.

The USPTO is charged with developing and submitting to Congress a proposal for an incentive program to retain senior (of the primary examiner grade or higher) patent and trademark examiners eligible for retirement for the sole purpose of training patent and trademark examiners.

The Director of the USPTO, in consultation with the Director of the Office of Personnel Management, is required to maintain a program for identifying national security positions at the USPTO and for providing for appropriate security clearances for USPTO employees in order to maintain the secrecy of inventions as described in section 181 of the Patent Act and to prevent disclosure of sensitive and strategic information in the interest of national security.

The USPTO will be subject to all provisions of title 5 of the U.S. Code governing federal employees. All relevant labor agreements which are in effect the day before enactment of subtitle G shall be adopted by the agency. All USPTO employees as of the day before the effective date of subtitle G shall remain officers and em-

<sup>20</sup> 28 U.S.C. § 5382.

<sup>21</sup> 5 U.S.C. § 5304(h)(2)(C).

employees of the agency without a break in service. Other personnel of the Department of Commerce shall be transferred to the USPTO only if necessary to carry out purposes of subtitle G of the bill and if a major function of their work is reimbursed by the USPTO, they spend at least half of their work time in support of the USPTO, or a transfer to the USPTO would be in the interest of the agency, as determined by the Secretary of Commerce in consultation with the Director.

On or after the effective date of the Act, the President shall appoint an individual to serve as Director until a Director qualifies under subsection (a). The persons serving as the Assistant Commissioner for Patents and the Assistant Commissioner for Trademarks on the day before the effective date of the Act may serve as the Commissioner for Patents and the Commissioner for Trademarks, respectively, until a respective Commissioner is appointed under subsection (b)(2).

*Sec. 4714. Public Advisory Committees*

Section 4714 provides a new section 5 of the Patent Act which establishes a Patent Public Advisory Committee and a Trademark Public Advisory Committee. Each Committee has nine voting members with three-year terms appointed by and serving at the pleasure of the Secretary of Commerce. Initial appointments will be made within three months of the effective date of the Act; and three of the initial appointees will receive one-year terms, three will receive two-year terms, and three will receive full terms. Vacancies will be filled within three months. The Secretary will also designate chairpersons for three-year terms.

The members of the Committees will be U.S. citizens and will be chosen to represent the interests of USPTO users. The Patent Public Advisory Committee shall have members who represent small and large entity applicants in the United States in proportion to the number of applications filed by the small and large entity applicants. In no case shall the small entity applicants be represented by less than 25 percent of the members of the Patent Public Advisory Committee, at least one of whom shall be an independent inventor. The members of both Committees shall include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation. The patent and trademark examiners' unions are entitled to have one representative on their respective Advisory Committee in a non-voting capacity.

The Committees meet at the call of the chair to consider an agenda established by the chair. Each Committee reviews the policies, goals, performance, budget, and user fees that bear on its area of concern and advises the Director on these matters. Within 60 days of the end of a fiscal year, the Committees prepare annual reports, transmit the reports to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Congress, and publish the reports in the Official Gazette of the USPTO.

Members of the Committees are compensated at a defined daily rate for meeting and travel days. Members are provided access to USPTO records and information other than personnel or other privileged information including that concerning patent ap-

plications. Members are special Government employees within the meaning of section 202 of title 18. The Federal Advisory Committee Act shall not apply to the Committees. Finally, section 4714 provides that Committee meetings shall be open to the public unless by a majority vote the Committee meets in executive session to consider personnel or other confidential information.

*Sec. 4715. Conforming amendments*

Technical conforming amendments to the Patent Act are set forth in section 4715.

*Sec. 4716. Trademark Trial and Appeal Board*

Section 4716 amends section 17 of the Trademark Act of 1946 by specifying that the Director shall give notice to all affected parties and shall direct a Trademark Trial and Appeal Board to determine the respective rights of those parties before it in a relevant proceeding. The section also invests the Director with the power of appointing administrative trademark judges to the Board. The Director, the Commissioner for Trademarks, the Commissioner for Patents, and the administrative trademark judges shall serve on the Board.

*Sec. 4717. Board of Patent Appeals and Interferences*

Under existing section 7 of the Patent Act, the Commissioner, Deputy Commissioner, Assistant Commissioners, and the examiners-in-chief constitute the Board of Patent Appeals and Interferences. Pursuant to section 4717 of subtitle G, the Board shall be comprised of the Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges. In addition, the existing statute allows each appellant a hearing before three members of the Board who are designated by the Director. Section 4717 empowers the Director with this authority.

*Sec. 4718. Annual report of Director*

No later than 180 days after the end of each fiscal year, the Director must provide a report to Congress detailing funds received and expended by the USPTO, the purposes for which the funds were spent, the quality and quantity of USPTO work, the nature of training provided to examiners, the evaluations of the Commissioners by the Secretary of Commerce, the Commissioners' compensation, and other information relating to the agency.

*Sec. 4719. Suspension or exclusion from practice*

Under existing section 32 of the Patent Act, the Commissioner (the Director pursuant to this Act) has the authority, after notice and a hearing, to suspend or exclude from further practice before the USPTO any person who is incompetent, disreputable, indulges in gross misconduct or fraud, or is noncompliant with USPTO regulations. Section 4719 permits the Director to designate an attorney who is an officer or employee of the USPTO to conduct a hearing under section 32.

*Sec. 4720. Pay of Director and Deputy Director*

Section 4720 replaces the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks with the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office to receive pay at Level III of the Executive Schedule.<sup>22</sup> Section 4720 also establishes the pay of the Deputy Director at Level IV of the Executive Schedule.<sup>23</sup>

## SUBCHAPTER B—EFFECTIVE DATE; TECHNICAL AMENDMENTS

*Sec. 4731. Effective date*

The effective date of subtitle G is four months after the date of enactment.

*Sec. 4732. Technical and conforming amendments*

Section 4732 sets forth numerous technical and conforming amendments related to subtitle G.

## SUBCHAPTER C—MISCELLANEOUS PROVISIONS

*Sec. 4741. References*

Section 4741 clarifies that any reference to the transfer of a function from a department or office to the head of such department or office means the head of such department or office to which the function is transferred. In addition, references in other federal materials to the current Commissioner of Patents and Trademarks refer, upon enactment, to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office. Similarly, references to the Assistant Commissioner for Patents are deemed to refer to the Commissioner for Patents and references to the Assistant Commissioner for Trademarks are deemed to refer to the Commissioner for Trademarks.

*Sec. 4742. Exercise of authorities*

Under section 4742, except as otherwise provided by law, a federal official to whom a function is transferred pursuant to subtitle G may exercise all authorities under any other provision of law that were available regarding the performance of that function to the official empowered to perform that function immediately before the date of the transfer of the function.

*Sec. 4743. Savings provisions*

Relevant legal documents that relate to a function which is transferred by subtitle G, and which are in effect on the date of such transfer, shall continue in effect according to their terms unless later modified or repealed in an appropriate manner. Applications or proceedings concerning any benefit, service, or license pending on the effective date of subtitle G before an office transferred shall not be affected, and shall continue thereafter, but may later be modified or repealed in the appropriate manner.

<sup>22</sup> 5 U.S.C. § 5314.

<sup>23</sup> 5 U.S.C. § 5315.

Subtitle G will not affect suits commenced before the effective date of passage. Suits or actions by or against the Department of Commerce, its employees, or the Secretary shall not abate by reason of enactment of subtitle G. Suits against a relevant government officer in her official capacity shall continue post enactment, and if a function has transferred to another officer by virtue of enactment, that other officer shall substitute as the defendant. Finally, administrative and judicial review procedures that apply to a function transferred shall apply to the head of the relevant federal agency and other officers to which the function is transferred.

*Sec. 4744. Transfer of assets*

Section 4744 states that all available personnel, property, records, and funds related to a function transferred pursuant to subtitle G shall be made available to the relevant official or head of the agency to which the function transfers at such time or times as the Director of the Office of Management and Budget (OMB) directs.

*Sec. 4745. Delegation and assignment*

Section 4745 allows an official to whom a function is transferred under subtitle G to delegate that function to another officer or employee. The official to whom the function was originally transferred nonetheless remains responsible for the administration of the function.

*Sec. 4746. Authority of Director of the Office of Management and Budget with respect to functions transferred*

Pursuant to section 4746, if necessary the Director of OMB shall make any determination of the functions transferred pursuant to subtitle G.

*Sec. 4747. Certain vesting of functions considered transfers*

Section 4747 states that the vesting of a function in a department or office pursuant to reestablishment of an office shall be considered to be the transfer of that function.

*Sec. 4748. Availability of existing funds*

Under section 4748, existing appropriations and funds available for the performance of functions and other activities terminated pursuant to subtitle G shall remain available (for the duration of their period of availability) for necessary expenses in connection with the termination and resolution of such functions and activities, subject to the submission of a plan to House and Senate appropriators in accordance with Public Law 105–277 (Departments of Commerce, Justice, and State, the Judiciary and Related Agencies Appropriations Act, Fiscal Year 1999).

*Sec. 4749. Definitions*

“Function” includes any duty, obligation, power, authority, responsibility, right, privilege, activity, or program.

“Office” includes any office, administration, agency, bureau, institute, council, unit, organizational entity, or component thereof.



## SUBTITLE H—MISCELLANEOUS PATENT PROVISIONS

Subtitle H consists of seven largely-unrelated provisions that make needed clarifying and technical changes to the Patent Act. Subtitle H also authorizes a study. The provisions in Subtitle H take effect on the date of enactment except where stated otherwise in certain sections.

### *Sec. 4801. Provisional applications*

Section 4801 amends section 111(b)(5) of the Patent Act by permitting a provisional application to be converted into a non-provisional application. The applicant must make a request within 12 months after the filing date of the provisional application for it to be converted into a non-provisional application.

Section 4801 also amends section 119(e) of the Patent Act by clarifying the treatment of a provisional application when its last day of pendency falls on a weekend or a Federal holiday, and by eliminating the requirement that a provisional application must be co-pending with a non-provisional application if the provisional application is to be relied on in any USPTO proceeding.

### *Sec. 4802. International applications*

Section 4802 amends section 119(a) of the Patent Act to permit persons who filed an application for patent first in a WTO<sup>24</sup> member country to claim the right of priority in a subsequent patent application filed in the United States, even if such country does not yet afford similar privileges on the basis of applications filed in the United States. This amendment was made in conformity with the requirements of Articles 1 and 2 of the TRIPS Agreement.<sup>25</sup> These Articles require that WTO member countries apply the substantive provisions of the Paris Convention for the Protection of Industrial Property to other WTO member countries. As some WTO member countries are not yet members of the Paris Convention, and as developing countries are generally permitted periods of up to 5 years before complying with all provisions of the TRIPS Agreement, they are not required to extend the right of priority to other WTO member countries until such time.

Section 4802 also adds subsection (f) to section 119 of the Patent Act to provide for the right of priority in the United States on the basis of an application for a plant breeder's right first filed in a WTO member country or in a UPOV<sup>26</sup> Contracting Party. Many foreign countries provide only a sui generis system of protection for plant varieties. Because section 119 presently addresses only pat-

<sup>24</sup> World Trade Organization. The agreement establishing the WTO is a multilateral instrument which creates a permanent organization to oversee the implementation of the Uruguay Round Agreements, including the GATT 1994, to provide a forum for multilateral trade negotiations and to administer dispute settlements (see note 3, *supra*). Staff of the House Comm. on Ways and Means, 104th Cong., 1st Sess., Overview and Compilation of U.S. Trade Statutes 1040 (Comm. Print 1995) [hereinafter, Overview and Compilation of U.S. Trade Statutes].

<sup>25</sup> Trade-Related Aspects of Intellectual Property Rights Agreement; i.e., that component of GATT which addresses intellectual property rights among the signatory members.

<sup>26</sup> International Convention for the Protection of New Varieties of Plants. UPOV is administered by the World Intellectual Property Organization (WIPO), which is charged with the administration of, and activities concerning revisions to, the international intellectual property treaties. UPOV has 40 members, and guarantees plant breeders national treatment and right of priority in other countries that are members of the treaty, along with certain other benefits. See M.A. Leaffer, *International Treaties on Intellectual Property* at 47 (BNA, 2d ed. 1997).

ents and inventors' certificates, applicants from those countries are technically unable to base a priority claim on a foreign application for a plant breeder's right when seeking plant patent or utility patent protection for a plant variety in this country.

Subsection (g) is added to section 119 to define the terms "WTO member country" and "UPOV Contracting Party."

*Sec. 4803. Certain limitations on remedies for patent infringement not applicable*

Section 4803 amends section 287(c)(4) of the Patent Act, which pertains to certain limitations on remedies for patent infringement, to make it applicable only to applications filed on or after September 30, 1996.

*Sec. 4804. Electronic filing and publications*

Section 4804 amends section 22 of the Patent Act to clarify that the USPTO may receive, disseminate, and maintain information in electronic form. Subsection (d)(2), however, prohibits the Director from ceasing to maintain paper or microform collections of U.S. patents, foreign patent documents, and U.S. trademark registrations, except pursuant to notice and opportunity for public comment and except the Director shall first submit a report to Congress detailing any such plan, including a description of the mechanisms in place to ensure the integrity of such collections and the data contained therein, as well as to ensure prompt public access to the most current available information, and certifying that the implementation of such plan will not negatively impact the public.

In addition, in the operation of its information dissemination programs and as the sole source of patent data, the USPTO should implement procedures that assure that bulk patent data are provided in such a manner that subscribers have the data in a manner that grants a sufficient amount of time for such subscribers to make the data available through their own systems at the same time the USPTO makes the data publicly available through its own Internet system.

*Sec. 4805. Study and report on biologic deposits in support of biotechnology patents*

Section 4805 charges the Comptroller General, in consultation with the Director of the USPTO, with conducting a study and submitting a report to Congress no later than six months after the date of enactment on the potential risks to the U.S. biotechnology industry regarding biological deposits in support of biotechnology patents. The study shall include: an examination of the risk of export and of transfers to third parties of biological deposits, and the risks posed by the 18-month publication requirement of subtitle E; an analysis of comparative legal and regulatory regimes; and any related recommendations. The USPTO is then charged with considering these recommendations when drafting regulations affecting biological deposits.

*Sec. 4806. Prior invention*

Section 4806 amends section 102(g) of the Patent Act to make clear that an inventor who is involved in a USPTO interference

proceeding and establishes a date of invention under section 104 is subject to the requirements of section 102(g), including the requirement that the invention was not abandoned, suppressed, or concealed.

*Sec. 4807. Prior art exclusion for certain commonly assigned patents*

Section 4807 amends section 103 of the Patent Act, which sets forth patentability conditions related to the nonobviousness of subject matter. Section 103(c) of the current statute states that subject matter developed by another person which qualifies as prior art only under section 102(f) or (g) shall not preclude granting a patent on an invention with only obvious differences where the subject matter and claimed invention were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person. The bill amends section 103(c) by adding a reference to section 102(e), which currently bars the granting of a patent if the invention was described in another patent granted on an application filed before the applicant's date of invention. The effect of the amendment is to allow an applicant to receive a patent when an invention with only obvious differences from the applicant's invention was described in a patent granted on an application filed before the applicant's invention, provided the inventions are commonly owned or subject to an obligation of assignment to the same person.

*Sec. 4808. Exchange of copies of patents with foreign countries*

Sec. 4808 amends section 12 of the Patent Act to prohibit the Director of the USPTO from entering into an agreement to exchange patent data with a foreign country that is not one of our NAFTA<sup>27</sup> or WTO trading partners, unless the Secretary of Commerce explicitly authorizes such an exchange.

## TITLE V—MISCELLANEOUS PROVISIONS

*Sec. 5001. Commission on Online Child Protection*

Section 5001(a) provides that references contained in the amendments made by this title are to section 1405 of the Child Online Protection Act (47 U.S.C. 231 note).

Section 5001(b) amends the membership of the Commission on Online Child Protection to remove a requirement that a specific number of representatives come from designated sectors of private industry, as outlined in the Act. Section 5001(b) also provides that the members appointed to the Commission as of October 31, 1999, shall remain as members. Section 5001(b) also prevents the members of the Commission from being paid for their work on the Commission. This provision, however, does not preclude members from being reimbursed for legitimate costs associated with participating in the Commission (such as travel expenses).

Section 5001(c) extends the due date for the report of the Commission by one year.

<sup>27</sup>North American Free Trade Agreement, Pub. L. No. 103-182. The cornerstone of NAFTA is the phased-out elimination of all tariffs on trade between the U.S., Canada, and Mexico. Overview and Compilation of U.S. Trade Statutes 1999.

Section 5001(d) establishes that the Commission's statutory authority will expire either (1) 30 days after the submission of the report required by the Act, or (2) November 30, 2000, whichever is earlier.

Section 5001(e) requires the Commission to commence its first meeting no later than March 31, 2000. Section 5001(e) also requires that the Commission elect, by a majority vote, a chairperson of the Commission not later than 30 days after holding its first meeting.

Section 5001(f) establishes minimum rules for the operations of the Commission, and also allows the Commission to adopt other rules as it deems necessary.

*Sec. 5002. Privacy protection for donors to public broadcasting entities*

This provision, which was added in Conference, protects the privacy of donors to public broadcasting entities.

*Sec. 5003. Completion of biennial regulatory review*

Section 5003 provides that, within 180 days after the date of enactment, the FCC will complete the biennial review required by section 202(h) of the Telecommunications Act of 1996. The Conferees expect that if the Commission concludes that it should retain any of the rules under the review unchanged, the Commission shall issue a report that includes a full justification of the basis for so finding.

*Sec. 5004. Broadcasting entities*

This provision, added in Conference, allows for a remittance of copyright damages for public broadcasting entities where they are not aware and have no reason to believe that their activities constituted violations of copyright law. This is currently the standard for nonprofit libraries, archives and educational institutions.

*Sec. 5005. Technical amendments relating to vessel hull design protection*

This section makes several amendments to chapter 13 of title 17 relating to design protection for vessel hulls. The sunset provision for chapter 13, enacted as part of the Digital Millennium Copyright Act, is removed so that chapter 13 is now a permanent chapter of title 17. The timing and number of joint studies to be done by the Copyright Office and the Patent and Trademark Offices of the effectiveness of chapter 13 are also amended by reducing the number of studies from two to one, and requiring that the one study not be submitted until November 1, 2003. Current law requires delivery of two studies within the first two years of chapter 13, which is unnecessary and an insufficient amount of time for the Copyright Office and the Patent and Trademark Office to accurately measure and assess the effectiveness of design protection within the marine industry.

The definition of a "vessel" in chapter 13 is amended to provide that in addition to being able to navigate on or through water, a vessel must be self-propelled and able to steer, and must be designed to carry at least one passenger. This clarifies Congress's in-

tent not to allow design protection for such craft as barges, toy and remote controlled boats, inner tubes and surf boards.

*Sec. 5006. Informal rulemaking of copyright determination*

The Copyright Office has requested that Congress make a technical correction to section 1201(a)(1)(C) of title 17 by deleting the phrase “on the record.” The Copyright Office believes that this correction is necessary to avoid any misunderstanding regarding the intent of Congress that the rulemaking proceeding which is to be conducted by the Copyright Office under this provision shall be an informal, rather than a formal, rulemaking proceeding. Accordingly, the phrase “on the record” is deleted as a technical correction to clarify the intent of Congress that the Copyright Office shall conduct the rulemaking under section 1201(a)(1)(C) as an informal rulemaking proceeding pursuant to section 553 of Title 5. The intent is to permit interested persons an opportunity to participate through the submission of written statements, oral presentations at one or more of the public hearings, and the submission of written responses to the submissions or presentations of others.

*Sec. 5007. Service of process for surety corporations*

This section allows surety corporations, like other corporations, to utilize approved state officials to receive service of process in any legal proceeding as an alternative to having a separate agent for service of process in each of the 94 federal judicial districts.

*Sec. 5008. Low-power television*

Section 5009, which can be cited as the Community Broadcasters Protection Act of 1999, will ensure that many communities across the nation will continue to have access to free, over-the-air low-power television (LPTV) stations, even as full-service television stations proceed with their conversion to digital format. In particular, Section 5009 requires the Federal Communications Commission (FCC) to provide certain qualifying LPTV stations with “primary” regulatory status, which in turn will enable these LPTV stations to attract the financing that is necessary to provide consumers with critical information and programming. At the same time, recognizing the importance of, and the engineering complexity in, the FCC’s plan to convert full-service television stations to digital format, Section 5009 protects the ability of these stations to provide both digital and analog service throughout their existing service areas.

The FCC began awarding licenses for low-power television service in 1982. Low-power television service is a relatively inexpensive and flexible means of delivering programming tailored to the interests of viewers in small localized areas. It also ensures that spectrum allocated for broadcast television service is more efficiently used and promotes opportunities for entering the television broadcast business.

The FCC estimates that there are more than 2,000 licensed and operational LPTV stations, about 1,500 of which are operated in the continental United States by 700 different licensees in near-

ly 750 towns and cities.<sup>28</sup> LPTV stations serve rural and urban communities alike, although about two-thirds of all LPTV stations serve rural communities. LPTV stations in urban markets typically provide niche programming (e.g., bilingual or non-English programming) to under-served communities in large cities. In many rural markets, LPTV stations are consumers' only source of local, over-the-air programming. Owners of LPTV stations are diverse, including high school and college student populations, churches and religious groups, local governments, large and small businesses, and even individual citizens.

From an engineering standpoint, the term "low-power television service" means precisely what it implies, i.e., broadcast television service that operates at a lower level of power than full-service stations. Specifically, LPTV stations radiate 3 kilowatts of power for stations operating on the VHF band (i.e., channels 2 through 13), and 150 kilowatts of power for stations operating on the UHF band (i.e., channels 14 through 69). By comparison, full-service stations on VHF channels radiate up to 316 kilowatts of power, and stations on UHF channels radiate up to 5,000 kilowatts of power. The reduced power levels that govern LPTV stations mean these stations serve a much smaller geographic region than do full-service stations. LPTV signals typically extend to a range of approximately 12 to 15 miles, whereas the originating signal of full-service stations often reach households 60 or 80 miles away.

Compared to its rules for full-service television station licensees, the FCC's rules for obtaining and operating an LPTV license are minimal. But in return for ease of licensing, LPTV stations must operate not only at reduced power levels but also as "secondary" licensees. This means LPTV stations are strictly prohibited from interfering with, and must accept signal interference from, "primary" licensees, such as full-service television stations. Moreover, LPTV stations must yield at any point in time to full-service stations that increase their power levels, as well as to new full-service stations.

The video programming marketplace is intensely competitive. The three largest broadcast networks that once dominated the market now face competition from several emerging broadcast and cable networks, cable systems, satellite television operators, wireless cable, and even the Internet. Low-power television plays a valuable, albeit modest, role in this market because it is capable of providing locally-originated programming to rural and urban communities that have either no access to local programming, or an over-abundance of national programming.

Low-power television's future, however, is uncertain. To begin with, LPTV's secondary regulatory status means a licensee can be summarily displaced by a full-service station that seeks to expand its own service area, or by a new full-service station seeking to enter the same market. This cloud of regulatory uncertainty necessarily affects the ability of LPTV stations to raise capital over the long-term, irrespective of an LPTV station's popularity among consumers.

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<sup>28</sup> LPTV stations are distinct from so called "translators." Whereas LPTV stations typically offer original programming, translators merely amplify or "boost" a full-service television station's signal into rural and mountainous regions adjacent to the station's market.

The FCC's plan to convert full-service stations to digital substantially complicates LPTV stations' already uncertain future. In its digital television (DTV) proceeding, the FCC adopted a table of allotments for DTV service that provided a second channel for each existing full-service station to use for DTV service in making the transition from the existing analog technology to the new DTV technology. These second channels were provided to broadcasters on a temporary basis. At the end of the DTV transition, which is currently scheduled for December 31, 2006, they must relinquish one of their two channels.

In assigning DTV channels, the FCC maintained the secondary status of LPTV stations (as well as translators). In order to provide all full-service television stations with a second channel, the FCC was compelled to establish DTV allotments that will displace a number of LPTV stations, particularly in the larger urban market areas where the available spectrum is most congested.

The FCC's plan also provides for the recovery of a portion of the existing broadcast television spectrum so that it can be reallocated to new uses. Specifically, the FCC provided for immediate recovery of broadcast channels 60 through 69, and for recovery of broadcast channels 52 through 59 at the end of the DTV transition. As further required by Congress under the Balanced Budget Act of 1997,<sup>29</sup> the FCC has completed the reallocation of broadcast channels 60 through 69. Existing analog stations, including LPTV stations and a few DTV stations, are permitted to operate on these channels during the DTV transition. But at the end of the transition, all analog broadcast TV stations will have to cease operation, and the DTV stations on broadcast channels 52 through 69 will be relocated to new channels in the DTV core spectrum. As a result, the FCC estimates that the DTV transition will require about 35 to 45 percent of all LPTV stations to either change their operation or cease operation. Indeed, some full-service stations have already "bumped" several LPTV stations a number of times, at substantial cost to the LPTV station, with no guarantee that the LPTV station will be permitted to remain on its new channel in the long term.

The conferees, therefore, seek to provide some regulatory certainty for low-power television service. The conferees recognize that, because of emerging DTV service, not all LPTV stations can be guaranteed a certain future. Moreover, it is not clear that all LPTV stations should be given such a guarantee in light of the fact that many existing LPTV stations provide little or no original programming service.

Instead, the conferees seek to buttress the commercial viability of those LPTV stations which can demonstrate that they provide valuable programming to their communities. The House Committee on Commerce's record in considering this legislation reflects that there are a significant number of LPTV stations which broadcast programming—including locally originated programming—for a substantial portion of each day. From the consumers' perspective, these stations provide video programming that is functionally equivalent to the programming they view on full-service stations, as well as national and local cable networks. Consequently, these

<sup>29</sup> See 47 U.S.C. § 337.

stations should be afforded roughly similar regulatory status. Section 5009, the Community Broadcasters Protection Act of 1999, will achieve that objective, and at the same time, protect the transition to digital.

Section 5009(a) provides that the short title of this section is the “Community Broadcasters Protection Act of 1999.”

Section 5009(b) describes the Congress’ findings on the importance of low-power television service. The Congress finds that LPTV stations have operated in a manner beneficial to the public, and in many instances, provide worthwhile and diverse services to communities that lack access to over-the-air programming. The Congress also finds, however, that LPTV stations’ secondary regulatory status effectively blocks access to capital.

Section 5009(c) amends section 336 of the Communications Act of 1934<sup>30</sup> to require the FCC to create a new “Class A” license for certain qualifying LPTV stations. New paragraph (1)(A) in particular directs the FCC to prescribe rules within 120 days of enactment for the establishment of a new Class A television license that will be available to qualifying LPTV stations. The FCC’s rules must ensure that a Class A licensee receives the same license terms and renewal standards as any full-service licensee, and that each Class A licensee is accorded primary regulatory status. Subparagraph (B) further requires the FCC, within 30 days of enactment, to send to each existing LPTV licensee a notice that describes the requirements for Class A designation. Within 60 days of enactment (or within 30 days of the FCC’s notice), LPTV stations intending to seek Class A designation must submit a certification of eligibility to the FCC. Absent a material deficiency in an LPTV station’s certification materials, the FCC is required under subparagraph (B) to grant a certification of eligibility.

Subparagraph (C) permits an LPTV station, within 30 days of the issuance of the rules required under subparagraph (A), to submit an application for Class A designation. The FCC must award a Class A license to a qualifying LPTV station within 30 days of receiving such application. Subparagraph (D) mandates that the FCC must act to preserve the signal contours of an LPTV station pending the final resolution of its application for a Class A license. In the event technical problems arise that require an engineering solution to a full-service station’s allotted parameters or channel assignment in the DTV table of allotments, subparagraph (D) requires the FCC to make the necessary modifications to ensure that such full-service station can replicate or maximize its service area, as provided for in the FCC’s rules.

With regard to maximization, a full-service digital television station must file an application for maximization or a notice of intent to seek such maximization by December 31, 1999, file a bona fide application for maximization by May 1, 2000, and also comply with all applicable FCC rules regarding the construction of digital television facilities. The term “maximization” is defined in paragraph 31 of the FCC’s Sixth Report and Order as the process by which stations increase their service areas by operating with additional power or higher antennae than specified in the FCC’s digital

<sup>30</sup> 47 U.S.C. § 336.



television table of allotments. Subparagraph (E) requires that a station must reduce the protected contour of its digital television service area in accordance with any modifications requested in future change applications. This provision is intended to ensure that stations indeed utilize the full amount of maximized spectrum for which they originally apply by the aforementioned deadlines.

Paragraph (2) lists the criteria an LPTV station must meet to qualify for a Class A license. Specifically, the LPTV station must: during the 90 days preceding the date of enactment, broadcast a minimum of 18 hours per day—including at least 3 hours per week of locally-originated programming—and also be in compliance with the FCC’s rules on low-power television service; and from and after the date of its application for a Class A license, be in compliance with the FCC’s rules for full-service television stations. In the alternative, the FCC may qualify an LPTV station as a Class A licensee if it determines that such qualification would serve the public interest, convenience, and necessity or for other reasons determined by the FCC.

Paragraph (3) provides that no LPTV station authorized as of the date of enactment may be disqualified for a Class A license based on common ownership with any other medium of mass communication.

Paragraph (4) makes clear that the FCC is not required to issue Class A LPTV stations (or translators) an additional license for advanced television services. The FCC, however, must accept applications for such services, provided the station will not cause interference to any other broadcast facility applied for, protected, permitted or authorized on the date of the filing of the application for advanced television services. Either the new license for advanced services or the original license must be forfeited at the end of the DTV transition. The licensee may elect to convert to advanced television services on its analog channel, but is not required to convert to digital format until the end of the DTV transition.

Paragraph (5) clarifies that nothing in new subsection 336(f) preempts, or otherwise affects, section 337 of the Communications Act of 1934.<sup>31</sup>

Paragraph (6) precludes the FCC from granting Class A licenses to LPTV stations operating between 698 megahertz (MHz) and 806 MHz (i.e., television broadcast channels 52 through 69). However, the FCC shall provide to LPTV stations assigned to, and temporarily operating on, those channels the opportunity to qualify for a Class A license. If a qualifying LPTV station is ultimately assigned a channel within the band of frequencies that will eventually comprise the “core spectrum” (i.e., television broadcast channels 2 through 51), then the FCC is required to issue a Class A license simultaneously. However, the FCC may not grant a Class A license to an LPTV station operating on a channel within the core spectrum that the FCC will identify within 180 days of enactment.

Finally, paragraph (7) provides that the FCC may not grant a Class A license (or a modification thereto) unless the requesting LPTV station demonstrates that it will not interfere with one of three types of radio-based services. First, under subparagraph (A),

<sup>31</sup> 47 U.S.C. § 337.

the LPTV station must show that it will not interfere with: (i) the predicted Grade B contour of any station transmitting in analog format; or (ii) the digital television service areas provided in the DTV table of allotments; or the digital television areas explicitly protected (as opposed to those areas that may be permitted) in the Commission's digital television regulations; or the digital television service areas of stations subsequently granted by the FCC prior to the filing of a Class A application; or lastly, stations seeking to maximize power under the FCC's rules (provided such stations are in compliance with the notification requirements under paragraph (1)).

Second, under subparagraph (B), the LPTV station must show that it will not interfere with any licensed, authorized or pending LPTV station or translator. And third, under subparagraph (C), the LPTV station must show that it will not interfere with other services (e.g., land mobile services) that also operate on television broadcast channels 14 through 20.

Finally, paragraph (8) establishes priority for those LPTVs that are displaced by an application filed under this section, in that these LPTVs have priority over other LPTVs in the assignment of available channels.

From the Committee on Commerce, for consideration of the House bill and the Senate amendment, and modifications committee to conference:

TOM BLILEY,  
BILLY TAUZIN,  
MICHAEL G. OXLEY,  
JOHN D. DINGELL,  
EDWARD J. MARKEY,

Provided that Mr. BOUCHER is appointed in lieu of Mr. MARKEY for consideration of secs. 712(b)(1), 712(b)(2), and 712(c)(1) of the Communications Act of 1934 as added by sec. 104 of the House bill.

RICK BOUCHER,

From the Committee on the Judiciary, for consideration of the House bill and the Senate amendment, and modifications committee to conference:

HENRY HYDE,  
HOWARD COBLE,  
BOB GOODLATTE,  
JOHN CONYERS,  
HOWARD L. BERMAN,

*Managers on the Part of the House.*

From the Committee on the Judiciary:

ORRIN HATCH,  
STROM THURMOND,  
MIKE DEWINE,  
PATRICK LEAHY,  
HERB KOHL,

From the Committee on Commerce, Science, and Transportation:

TED STEVENS,  
FRITZ HOLLINGS,

*Managers on the Part of the Senate.*

